IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of: Gross	)	Art Unit: *3689*
	)	
Serial No.: *10/771094*	)	Examiner: Ruhl, Dennis William
	)	
Filed*: 02/2/2004*	)	
	)	
For: *Media Queue Replenisher*	)	

Appeal Brief filed under 37 C.F.R. § 1.192

Mail Stop Appeal Brief - Patents
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Dear Sir:

Per 37 C.F.R. § 41.37 Appellants submit the present Appeal Brief in furtherance of the Notice of Appeal filed in this case on May 24 2010.

Please charge any fees, including for an extension of time, in accordance with the accompanying Transmittal letter. A short introduction of the prosecution history is first presented.

This brief also contains the following sections as required by 37 C.F.R. § 41.37 and MPEP § 1206:

I. Real Party In Interest

II. Related Appeals and Interferences

III. Status of Claims

IV. Status of Amendments

V. Summary of Claimed Subject Matter

VI. Grounds of Rejection to be Reviewed on Appeal

VII. Argument

VIII. Claims

IX. Evidence

X. Related Proceedings

Appendix A Claims

Appendix B Copies of Related Decisions

Additional Exhibits 1 – 7 are also attached hereto, which include reference materials and other evidence pertaining to the new Acid Rain program and Columbia House references newly cited by the Examiner.

BRIEF INTRODUCTION AND REVIEW OF PROSECUTION HISTORY

This brief is presented in support of the Notice of Appeal filed for application serial no. 10/771,094, which was filed February 2, 2004 and derives priority from a provisional application serial no. 60/443,940 filed January 31, 2003.

1. In a first Office Action mailed June 9, 2009 the Examiner determined:
    a. That originally filed claims 1 – 9, 11 – 20 were rejected under §101 as the Examiner contended that they recited software or routines;
    b. Claims 2, 10 – 20 were rejected for indefiniteness under §112;
    c. Claims 1- 4, 7, 9 – 16, 19 and 20 were rejected under §102 in light of Hastings (US Patent No. 6,584,450);
    d. Claims 8, 18 were rejected under §103 in view of Hastings;
    e. Claims 5, 17 were rejected under §103 in view of Hastings taken with Pennell (6,874,023);

2. The rejections were then addressed by an Amendment & Response A filed November 9, 2009. Claim 10 was canceled. Claims 1 – 9, 11 - 20 were amended to distinguish over the references of record, and new (dependent) claims 21 – 26 were added. The rejections under §101 and §112 were also addressed.

3. In a second/Final Office Action mailed March 18, 2010 the Examiner:
    a. Withdrew the rejection of claims 1 – 9, 12, 13 under §101;
    b. Withdrew the §112 rejections of claims 2, 11 – 20;
    c. Withdrew the §102 rejections of claims 1- 4, 7, 9 – 16, 19 and 20 in light of Hastings;
    d. Withdrew the §103 rejections of claims 8, 18 in light of Hastings;
    e. Maintained the rejection of claims 11, 14 – 20 under §101 and similarly rejected new claims 24 – 26;
    f. Rejected claims 1- 4, 6 – 9, 11 – 16 and 18 - 26 under §103 in light of Hastings taken with a new reference - "Acid Rain" NPL article (hereinafter Acid Rain);
    g. Maintained the rejection of claims 5, 17 as rejected under §103 in view of Hastings taken with Pennell;

4. An appeal was taken from the Examiner's action on May 24, 2010.

I. REAL PARTY IN INTEREST

Media Queue, an Oklahoma Limited Liability Company with its principal place of business at 2431 East 61st Street, Suite 320, Tulsa, Oklahoma 74136.

II. RELATED APPEALS AND INTERFERENCES

A related application serial no. 10/771,049 claiming priority to the same provisional as the instant case matured into U.S. Patent No. 7,389,243 which is now the subject of litigation in the ND of California titled MEDIA QUEUE V. NETFLIX ET AL., NO. CV-09-01027, and reexamination control no. 95/000469. Additional cases filed by the Applicant having related subject matter which are or have been the subject of appeal include serial nos. 10/770,937 (Method of providing access to playable media); 11/369,796 (Media delivery prioritization system and method); 10/874,412 (Method of processing rental requests and returns); 10/770,767 (Media Queue Monitor); 10/770,804(System for providing access to playable media); 10/856,909 (Method of controlling electronic commerce queue); 11/456,535 (Hybrid Distribution Method for Playable Media). Decisions have been rendered as well in 11/369,660 (Method of processing rental requests and returns); 10/874,412 (Method of processing rental requests and returns); and 10/770,937.

Other than these actions, there are no other appeals, interferences or judicial proceedings known to Appellant, Appellant's legal representative, or the Assignee of the present application which will directly affect or be directly affected by or have a bearing on the Board's decision in this appeal.

III. STATUS OF CLAIMS

Claims 1 – 9 and 11 - 26 are rejected. Claims 1 and 11 are independent. A complete copy of the pending claims is provided in Appendix A.

IV. STATUS OF AMENDMENTS

Appellant has not filed any further amendments.

V. SUMMARY OF CLAIMED SUBJECT MATTER

Independent claim 1

Independent claim 1 covers:[1] A method of replenishing items in a queue maintained by a content provider for a content site user, comprising the steps of (FIGs. 1, 4 and related discussion):

(a) setting up a first user selection queue for the first user on a computing system, said first user selection queue consisting of a list of one or more playable media items selected by the first user; (*FIG. 1, see region 110 and text at page 7, ll. 16 – page 8, l. 32 regarding prioritization*)

(b) setting up queue replenishment control rules for the first user selection queue on said computing system; and (*FIG. 1, portion 116 of interface; FIG. 2, and description at page 10, l. 17 – page 16, l. 7*)

wherein said queue replenishment control rules are specified at least in part by said first user; (*id*)

(c) determining with said computing system based on said queue replenishment control rules if a first playable media item should be added to said first user selection queue, and/or if a second playable media item should be removed from said first user selection queue; and (*FIG. 4 and description at page 18, l. 28 – page 21, l. 22*);

(d) automatically modifying said first user selection queue with said computing system based on the results of step (c) and generating a new ordered list of one or more playable media items for said first user selection queue; (*FIG. 4 and description at page 18, l. 28 – page 21, l. 2, particularly box 445;*)

(e) automatically moving a playable media item out of said first user selection queue and into a separate first titles out list for said first user with said computing system when such item is delivered to the first user; (*see FIG. 1 discussion for titles out 106 at page 8, ll. 22 – 24*)

wherein said first titles out list has a first capacity used by said computing system to constrain the first user to a limit of N titles which can be deployed to such user at one time; (*page 2, ll. 12 – 21*)

[1] In the interest of efficiency and clarity Applicant has not identified every single aspect of the disclosure which may pertain to the claimed limitations.

(f) in response to a request of said first user, reducing said first capacity of said first titles out list with said computing system so as to increase a second capacity of a second separate user's second titles out list; (*page 35, ll. 18 – 24*)

wherein said first user can selectively allocate his/her capacity for receiving playable media items to a second user. (*id*)

Independent claim 11 recites: A media rental service system for distributing playable media items to a user, the system comprising (see FIGs. 1, 4 and 7):

(a) a first user preference routine embodied in a computer readable medium and executing on a computing system for capturing first user preference data from the first user during a first data session, said first user preference data including queue replenishment options; (*see FIG. 4 box 405 and description for monitor 726 in FIG. 7*)

wherein said queue replenishment control rules are specified at least in part by said first user; (*id.*)

(b) a first user selection routine embodied in a computer readable medium and executing on the computing system for storing titles of one or more playable media items in a first user selection queue; (*see FIG. 1 and related discussion for region 110; FIG. 7 routine 727*)

(c) a first user queue replenishing routine embodied in a computer readable medium and executing on the computing system and configured for updating title selections in said first user selection queue in accordance with said queue replenishment options; (*FIG. 1, portion 116 of interface; FIG. 2, and description at page 10, l. 17 – page 16, l. 7; routine 726 in FIG. 7*)

wherein said first user queue replenishing routine optionally automatically selects titles and modifies titles in said first user selection queue without additional first user input; (*id*)

(d) a first user delivery routine embodied in a computer readable medium and executing on the computing system and configured for automatically moving a playable media item out of said first user selection queue and into a separate first

titles out list for said first user with said computing system when such item is delivered to the first user; (*see FIG. 1 discussion for titles out 106 at page 8, ll. 22 – 24; FIG. 7 routine 723)*

wherein said first titles out list has a first capacity used by said computing system to constrain the first user to a limit of N titles which can be deployed to such user at one time; (*page 2, ll. 12 – 21)*

(e) an exchange routine embodied in a computer readable medium and executing on the computing system and configured for reducing said first capacity of said first titles out list with said computing system in response to a request of said first user, so as to increase a second capacity of a second separate user's second titles out list; (*routines 730, 731 FIG. 7; page 35, ll. 18 – 24*)

wherein said first user can selectively allocate his/her capacity for receiving playable media items to a second user. (*id.*)

These features and others are described in more detail below.

VI. GROUNDS OF REJECTION TO BE REVIEWED ON APPEAL

The issues presented for appeal are:

1. Whether claims 1- 4, 6 – 9, 11 – 16 and 18 - 26 were erroneously rejected under §103 in light of Hastings taken Acid Rain;
2. Whether claims 5, 17 were erroneously rejected under §103 in view of Hastings taken with Pennell;
3. Whether claims 11, 14 – 20, 24 – 26 were erroneously rejected under §101.

VII. ARGUMENT

Background

The present invention relates, in general, to the field of electronic commerce systems and methods of providing selections, shipments and exchanges of rental items. In conventional contemporary systems, such as implemented at a popular website maintained by Netflix® (and Blockbuster®), subscribers can search, review and select movie titles (in DVD media format) within a graphical interface. If a particular title is available, the subscriber's choice is then placed into a rental selection "queue" maintained by a server. During an interactive online session, a subscriber can select a number of titles, and then prioritize them in a desired order for shipment within the selection queue.

After the movie title selection session is over, the system proceeds to ship the desired titles in the order requested by the subscriber. After shipment, these titles then appear in a separate list identified essentially as items that are outstanding (i.e., movies that have not yet been returned by the user) within a "titles out" or shipped queue. In some embodiments the user is constrained so that he/she has a maximum number of titles that they may have out at any one time in their possession. This is referred to in the Hastings reference as MAXOUT.

One main known deficiency of these commercial online systems is that the user may not be using all the capacity that they are allocated. Light users, for example, may be renting only a few movies, and thus have spare capacity that they can share with other users. When this happens, the user's account is effectively underutilized, as they are typically paying a flat subscription fee for the service, and yet they are not optimizing their useage. Nonetheless since each title costs the distributor more $$ to ship, the disclosure points out that the commercial operators of such systems in the past had little or no economic incentive to allow users to exploit their total capacity associated with their accounts. The claims of the present application are addressed to this deficiency in the prior art.

In terms of the substance, the emphasis of the claims has been narrowed to focus on certain capacity sharing teachings of the disclosure, as found for example at

page 34, ll. 18+ (and other areas). In particular, the specification teaches that users/members of the content provider can opt to exchange capacity between each other depending on their particular goals, needs, etc. so as to improve the overall benefits and enjoyment of the site.

In preferred embodiments this capacity exchanged between users is manifested by additional individual "slots" in a titles out list, where such users are otherwise constrained by the computing system from receiving more than a certain number of titles. For example a user 1 may have up to 2 movies out at one time; a user 2 may have up to 1 movie deployed to them at one time. The present claims cover those embodiments in which user 1 may elect to designate an additional delivery slot to user 2, so that the latter now can have 2 movies out at one time, while user 1 now is restricted to just one (1) title out.

Prior Art

The primary prior art cited by the Examiner includes the Hastings and Acid Rain references mentioned earlier. Hastings is a e-commerce type system in which subscribers to a media distribution system are allowed to use the Internet to identify items such as movies and the like and rent them. See e.g., col. 1, ll. 11 – 29 and FIG. 5. The subscribers are in accordance with subscription constraints, such as maximum number of movies that the user may have in their possession at one time (MAXOUT) and/or a maximum number of movies the users may receive during a specified period (MAX TURNS). See col. 4, ll. 35 - 43. Notably the "items" that Hastings allows users to rent includes "…commercial goods that can be rented to customers" such as movies, music, etc. See col. 4, ll. 1 – 6.

The MAX OUT figure therefore is used by Hastings to control whether a movie should be shipped to a user, but a user can exceed this number by incurring an additional charge, and/or increasing their MAX OUT number for their subscription. See col. 6, ll. 18 – 29. Other than this mechanism, Hastings is entirely silent however on the main issue noted above, namely, allowing users to exchange capacity between themselves.

The Acid Rain NPL literature describes a program introduced by the EPA in the mid

90s to force generating utilities to reduce emissions of sulfur dioxide (SO_2). In addition to the NPL materials cited by the Examiner, Appellant further points out the following references discussing the details of this program:

http://en.wikipedia.org/wiki/Acid_Rain_Program - attached as Exhibit 1;

http://www.epa.gov/airmarkets/progsregs/arp/basic.html - attached as Exhibit 2;

From these materials it is gleaned that the Acid Rain program consisted of multiple components. First, the US government imposed restrictions on the amount of output of certain gasses (sulfur dioxide at first) for each power plant. Then any entities that were not using their allotment were permitted to bank or sell "allowances" in an auction to third parties. This auction was operated by the EPA. – see e.g., Exhibit 3 - http://www.epa.gov/airmarkets/trading/factsheet-auction.html. Notably, anyone can participate in the auction to buy allowances, including non-generating entities such as private citizens, public interest groups and the like.

What these additional NLP materials further reveal is that the program also calls for annual reconciliations, meaning that the participants are allowed to go over their allotments, so long as they buy an allowance within a certain grace period to retroactively cure their prior excess use. Thus, while a utility plant might have a certain allowance in place, it is permitted to exceed such amount over the course of a whole year so long as it remedies the overage within 60 days. See e.g., http://www.epa.gov/airmarkets/progsregs/arp/reconciliation-factsheet.html (Exhibit 4) and http://www.epa.gov/airmarkt/trading/factsheet.html (Exhibit 5).

Thus, a key takeaway here is that the program is retroactive, not prospective:

> *At the end of each year, the source must hold an amount of allowances at least equal to its annual emissions, i.e., a source that emits 5,000 tons of SO2 must hold at least 5,000 allowances that are usable in that year.*

See Exhibit 5. Consequently it is not necessary for the entity to comply with the emissions allowance during the year, or have the additioal allowance in hand in order to be emitting at a certain rate; it only needs to have suficient capacity at the end of the year.

A basic reading of the (more) complete Acid Rain program and accompanying materials reveals them to be *far* afield from the present invention. They have no relationship to the present field of the invention. As further noted below, other than a

conclusory analysis that the Acid Rain program is a "cap and trade" program that *could* be applied to Hastings et al., the Examiner provides no facts or rationale of why a person skilled in the art would ever consider the two in combination.

Detailed Response To Rejections

1. Independent claims 1, 11 and dependent claims 2 - 4, 6 – 9, 12 – 16 and 18 – 26 are patentable over Hastings taken with Acid Rain

Independent claim 1

The Examiner's rejection of the claim should be reversed for several reasons. In rejecting claims under 35 U.S.C. § 103, it is incumbent upon the Examiner to establish a factual basis in order to support the legal conclusion of obviousness. See In re Fine, 837 F.2d 1071, 1073 (Fed. Cir. 1988). First and foremost, the references simply do not factually include the teachings that the Examiner contends are present therein, and thus do not result in the claimed combination even if combined. Secondly, the references are not properly combinable as the Acid Rain emission allowance trading materials for power generating plants (and other examples given by the Examiner) are far afield from the Hastings Internet based business model for distributing movie titles to subscribers. Finally, as explained below, the Examiner fails to provide sufficient evidence of a rationale to combine.

The main reason that the Examiner must rely on the Acid Rain reference (and other similar examples) is because he acknowledges that the primary Hastings reference does *not* disclose that the capacity of the first user selection queue is reduced so as to increase a capacity of a second user selection queue. See Office Action, page 5.[2] The thrust of the Examiner's argument is presented as follows:

[2] Strictly speaking, the Examiner mis-states the claim on page 5, since the applicable limitation of claim 1 reads that the "first capacity of said *first titles out list*" is reduced "…so as to increase a second capacity of a second separate user's *second titles out* list." The claim makes no mention of reducing capacity of the "*user selection queue*" as the Examiner suggests – indeed, this would make no sense since the selection queue is merely an ordered "wish" list as it were of items that are desired to be delivered, but have not yet been delivered. Appellant points this out to eliminate future confusion on the point but nonetheless believes he understands what the Examiner's intent is here and has addressed it accordingly.

With respect to the claimed step in f) of *reducing the user selection queue capacity and increasing a second queue capacity*, this appears to read on the well known act of having a cap and trade system in place for a particular item, and/or the act of one user "donating" their unused capacity to another use who desires that unused capacity. Both will be addressed by the examiner.

The Examiner then goes on to argue at length about a technology he calls a "cap and trade" system, which he describes as well-known in the art. He then further characterizes the Acid Rain program NPL article and employee leave donation programs as describing examples of this type of system. As analyzed below nonetheless these systems do not teach or suggest the claimed inventions.

The Acid Rain Program Does Not In Fact Teach Limitation (f) of Claim 1

The problems with the Examiner's analysis include generally the fact that he makes assumptions and statements about the Acid Rain program that are inaccurate and/or reflect a misunderstanding of how it actually works. Since many of the statements on page 6 from the Office Action are presented with only the Examiner's rough impressions of how these programs works - and no apparent actual document citations or support - it is easy to see how this could happen.

For example, the Examiner states categorically on page 6 that in the Acid Rain program:

User A can arrange to obtain unused capacity from user B.

As noted in the EPA materials however, this is not really true. The participants in the Acid Rain program could not "arrange" to "obtain" unused capacity from another member. If participant A wants to have unused capacity from participant B, he has to participate in an auction held once a year in March, with terms and conditions controlled by the EPA. Accordingly, at any moment in time, if a participant wants additional emissions capacity, they have to wait an entire year to obtain it. See Exhibit 5, page 2 which explains that the auction is held once a year:

...The third reserve contains allowances set aside for auction which is held at the end of March every year.

It is also clear that in the Acid Rain program participant A could *not* simply "obtain" capacity from participant B even at the end of the year auction unless the former outbids every other entity looking for that capacity. In short, there is no "trading" between members as the Examiner suggests, or at least nothing that teaches or suggests what is claimed here. Consequently, the Acid Rain reference does not teach or suggest the limitation in the claim which states:

> ....said first user can selectively allocate his/her capacity for receiving playable media items to a second user

There is absolutely *nothing* in the Acid Rain materials which teaches or suggests that a first participant can/could "...selectively allocate" their capacity to a second participant. This fatal flaw precludes the Hastings/Acid Rain combination from yielding the claimed combinatiion.

As part of his analysis the Examiner further states:

> *"...when that happens, the capacity of user B is reduced and the capacity of user A is increased by a corresponding amount"*

Again it turns out that this is not strictly true. As noted directly in the EPA materials, the participants are bound by other constraints beyond what additional capacity they may chose to purchase in the auction. Because the program is intended to restrict emissions output, the participants can never exceed certain predefined limits:

> **...regardless of many allowances a source holds, it is never entitled to exceed the limits set under Title I of the Act to protect public health.**

What this means is that under the scenario posited by the Examiner in the Acid Rain program the capacity of participant A *may or may not* be increased, because the participants are subject to other regulatory mandates. See Exhibit 5, page 2. For this additional reason, it can be seen that the reference again does not meet the language of the claim which calls for reducing the capacity of the first user so as to increase the capacity of a second user's titles out list.

These two basic deficiencies in the Acid Rain program reveal that the Examiner's analogy is not well taken, since the reference does not actually work the way he thinks.

Moreover other aspects of the Examiner's analysis show that the analogy is faulty for additional reasons. As a third deficiency, the Acid Rain materials show that the auction program for trading allowances is premised on the use of so-called annual reconciliations, meaning that the participants are allowed to go *over* their year emission allotments. Thus it is not necessary for the entity to have the allowance in hand at any moment in time in order to be emitting at a certain rate; it only needs to have it *at the end of the year*.

In other words, to implement the trading auction, the Acid Rain program does not constrain the capacity of the participants at any moment in time - only at the end of the year when it determines how much the participant has used. The Auction is used to retroactively cure any excess useage.

Looking at the present claims therefore, the Acid Rain program clearly does not teach or suggest a capacity which constrains "... the first user to *a limit of N titles* which can be deployed to such user *at one time*" as set out in the claim.[3] Moreover modifying Hastings this way to include this type of auction in the Acid Rain program would mean that it would simply ship the user all the movies they wanted, and then check at the end of the applicable period to see if they had exceeded their yearly allotment. The users could then presumably buy additional capacity from other users in an auction as taught by the Acid Rain program.

But Hastings already describes a MAX TURNS solution for this type of scenario (i.e., receiving a certain number of titles within a prefined period). Any teaching or suggestion by Acid Rain therefore would at most lead a person skilled in the art to receive an increase in the MAX TURNS at the end of the billing cycle in the Hastings reference, not in the MAX OUT feature which controls the number of titles that the user can have out. The Acid Rain program has no comparable teaching concerning this feature because at any moment in time the participants are allowed to emit as much as they want effectively, subject to the yearly reconciliation.

If the Acid Rain feature were implemented in fact, the Examiner's modification would eviscerate the MAX OUT option in Hastings so that it would have no effect at all

[3] The materials also make clear that even if the participants go over, they can buy an allowance within a certain grace period in the auction to retroactively cure their prior excess use. Thus, while a utility plant might have a certain allowance in place, it is permitted to exceed such amount over the course of a whole year so long as it remedies their overage within 60 days.

because it would be circumvented by a "retroactive" type of MAX TURNS implementation. This proposal therefore directly contradicts the core principles of that reference and cannot be the basis of an obviousness rejection. In addition an Internet distributor such as Hastings – serving millions of subscribers - could not unilaterally allow subscribers to exceed their capacity limits, because they have to affirmately provide the items to the users from a finite inventory of products. This is entirely unlike the Acid Rain program in which the participants (not the EPA) themselves are the "providers" of the so-called items (emissions), and thus there is no logistical overhead or cost to the EPA associated with allowing them to unilaterally exceed their allowance at any moment in time.

In short, the addition of the Acid Rain "allowance trading" auction therefore effectuates a fundamental change in Hastings which is not an acceptable basis for a §103 rejection.

The Acid Rain NPL (and other "Cap and Trade") materials are not Analogous Prior Art

In reality, the Acid Rain materials are not even analogous art which is why the proposed combination results in so many incompatabilities and incongruencies. To quality as analogous prior art, it must be from Appellant's field of endeavor (i.e., Internet based content providers of playable media) or reasonably pertinent to the particular problem faced by Appellant (i.e., allowing users of such a site to optimize their utilization of their accounts/capacity for receiving playable media items).

Here the qualification as analogous prior art fails on many levels. First, the utility plant participants in the Acid Rain program do not have anything resembling a "delivery queue" with a certain "capacity" for "items." Entities in the Acid Rain program are in fact free to exceed the cap during the year, and then fix the excess later. In other words, they can receive the entitlement now, and then later buy more capacity. This has little applicability to an online content distribution system which uses a titles out limit, like Hastings for very basic reasons. In effect this approach applied to Hastings would mean that if a subscriber had a MAXOUT of 3 titles, the system would ignore this limit (as allowed by the AR program), ship the user 4 titles, and then at the end of some period (undefined by the Examiner) decide that it would now increase the user's

MAXOUT to 4 to retroactively cure the excessive shipment. Notably this would occur even if the subscriber was now longer in need of receiving 4 movies. In short, the AR program effectively describes a system that is not even compatible with the overall need to constrain a user's capacity at one time.

As noted also above, the Examiner misreads the description of the "trading" associated with the allowances. The Acid Rain program participants do not "trade" with each other; indeed, there is no mechanism provided for companies to transfer capacity between themselves. Instead, the participants must put their allowances up for auction by the EPA, which then determines the winner.

In addition the "item"purportedly being traded in Acid Rain is a right to emit a certain amount of gas. This "item" is not "delivered" and bears little resemblance to the constraints associated with identifying and delivering playable media items described in the present application.

Finally it appears that by any *objective* measure, persons skilled in this particular art field (which for purposes of this discussion, Appellant accepts the PTO's designation of class 705) have effectively ignored the Acid Rain program and its "cap and trade" teachings, which the Examiner presents as "well-known." This can be verified by a simple search of the PTO database using the terms "acid rain" or "cap and trade." As seen in Exhibit 6, other than discussing "acid rain" in the context of pollution related systems (or the actual acid rain trading program itself), the PTO records reveal no citation by any Applicant (let alone an Examiner) of this program as being relevant to any other e-commerce system described in thousands of applications over the past 15 years.

More poignantly, Appellant's search in the PTO database does not find *any* mention anywhere of "cap and trade system" in any disclosure that is in this field of art. The Examiner's suggestion therefore that this program would have been something considered by people skilled in the art is belied by any objective facts bearing on the discussion. For such a well publicized program, it appears to be completely ignored by persons in this field, and bears all the hallmarks of a reference that is simply inapt. As is apparent from the objective evidence, the Examiner has had to invent the present rejection by relying solely on material that is far removed from the present subject matter.

The Examiner's other final broad rejection, that this is an obvious form of a "cap and trading" system, is not well supported. He cites no objective evidence whatsover to explain why a person skilled in the art would look at such references - which he alludes to but does not specifically cite. This type of broad brush rejection is universally rejected by this Honorable Board:

> If we analogize claim construction to a painting, then the Examiner uses too broad a brush, construing the disputed limitation too broadly, and glossing over its details. See Ex parte Jones et al. (Appeal 2009-004118 December 11, 2009).

The Examiner's citation of an employee donation of leave to another employee policy combined with Hastings is also inadequate to support the rejection

The Examiner's final argument about combining Hastings with some form of vague and undefined employee vacation leave donation program (see page 7) is similarly conclusory and provides no substantial rationale to support the rejection. Here the Examiner relies on little more than his subjective opinion and incomplete reasoning, as he states that the "act of donating" is obvious, and therefore adding it to Hastings must be obvious.

But this is not the test for obviousness. The Examiner must provide some rationale on why a person skilled in the art would even consider Hastings and an employee "leave donation" policy together, and then modify the former with the latter to teach the invention as a whole to donate *capacity* in particular between users. In addition the users of the Hastings site are nowhere described as co-employees such that they would be treated in the manner suggested by the Examiner. This means that do not share the same aligned interests as co-employees such that it would be obvious that one skilled in the art to look at such programs as the inspiration for unilaterally "donating" *capacity* in an online movie rental system as shown in Hastings as the Examiner suggests.

In addition, vacation or leave policies again typically work under the premise that the employee can use a certain number of days within a particular year. There is no restriction or limit as to how many outstanding days of leave one can have at any moment in time. Thus it is again analogous to the MAX TURNS aspect of Hastings, not

the MAX OUT aspect of the reference. Adding the leave policy to Hastings therefore would at most allow subscribers to see more movies during any particular interval of time, not increase the number of movies that they can have in their possession at any moment in time.

For the reasons set forth above Appellant submits that the Examiner has clearly erred in his conclusion that claim 1 is unpatentable in view of Hastings and the Acid Rain NPL literature, or any other similar "cap and trade" materials referred to by the Examiner.

Dependent claims 2 – 4, 6, 7 and 9

These claims should be allowable for at least the same reasons as for claim 1.

In addition, for claim 6, the claim recites that:

> ...the subscriber delivery first user selection queue *is automatically modified* in accordance with said queue replenishment control rules *after a predefined time delay*.

The Examiner argues here that in Hastings:

> For claim 6, it is inherent that the modification will occur after a predetermined time delay, which is the delay involved with the use of networks and hardware. The type of hardware used and the type of network used with result in a predetermined delay, because nothing happens in absolute real time.

Appellant disagrees with this analysis mostly because it is again inapposite. The claim does not state that the modification is done after some unpredictable or inherent time delay as the Examiner suggests. It states specifically that the change is made after a "predefined" time delay; in the specification it makes clear that this can be adjusted by the user to be a certain number of days for example – see FIG. 2, box 230 which allows the user to specify a certain number of days. The term "predetermined" typically is associated with the notion of defining some quantity in advance, and is used here consistently with that definition. By the Examiner's own citations above it can be seen that the delay he refers to in Hastings cannot be defined, let alone determined in

advance – it is unpredictable and random. It makes no mention, for example, of introducing a one, two or three hour/ day delay. Reversal is clearly warranted here.

For claim 9: this claim refers to an item recommendation system, a feature that is entirely lacking in Hastings. While recommendation systems were known in the art, Hastings does not disclose such, let alone one in combination with the other elements of claims 1 and 71. As understood in the art, a recommender system requires some form of prediction of the likelihood that a user will like an item, and there is nothing in Hastings that shows any such behavior. The reference merely discloses rigidly sending titles to subscribers based on their express requirements (i.e., such as by specifying a particular title, actor, genre, etc.); it does not teach automatically recommending titles as set out in claim 9.

The Examiner *purports* to reject claim 9 (see page 3, paragraph 4) but - unlike the rest of the Examiner's Office Action which is straightforward to identify the claim rejections - it is hard to determine what evidence he is relying upon as the discussion is not isolated very well. His comment that Hastings shows a "recommender system" on page 4 (citing to col. 8 of Hastings) is not understood as there is no mention of any such system there. A system that merely tags movies with metadata, such as "genre" is merely classifying titles, not recommending them.

For claim 11: see claim 1.

For claim 12: the Examiner's evidence is clearly incomplete and inadequate here. The claim states:

> said first user *selection queue is maintained at a content provider website*, and said first user *preference routine is operable from a separate service website*

The Examiner here only cites to the fact that he believes the "first user preference routine" is "…fully capable of being executed via a separate website." Appellant submits that this is in an incomplete inquiry, since nothing in Hastings teaches or suggests that one could put the user's *selection queue* at *one website* (the content providers) and still have the user *preference routine* be operable (**i.e., be performing the steps set out in limitation (a) of claim 11**) at a *separate website*. The Examiner

appears to ignore that to be "operable" the first user preference routine must actually execute the steps set out in claim 11 at the second website, and Hastings is completely silent on this kind of distributed/divided architecture.

Similarly, for claim 8, the language recites that the trigger event for modifying a selection queue for the customer is the quantity of playable media items remaining. The Examiner relies on some vague form of official notice about bank account balances, and does not cite any actual references even though the prosecution history has ample references (Elston for example) relating to prior art attempts to notify customers of banking events. These references fail, however, because among other things, they are not analogous prior art, and the Examiner makes no attempt to cite them. The reliance on "official notice" here instead by the Examiner cannot excuse the requirement that the purported teaching be analogous prior art, and this has not been established by the Examiner.

Moreover the Examiner's rationale fails to consider that the claim (8) relates to a *modification* of the user's selection queue (claim 7), not a notification about the account balance as he describes. The comparison to the "official notice" examples is inapposite, as the Examiner make no mention for instance of modifying the user's account as a result.

For claim 14: this claim refers to the specific algorithms used by the item recommendation system – including a content filtering algorithm and/or a collaborative filtering algorithm - which the Examiner never addresses let alone identify in Hastings. The rejection is clearly not supportable at this time.

As concerns claim 18: the Examiner here again relies on official notice to argue that it would have been obvious to "…ensure that at least one item is always maintained in said selection queue." His rationale is that this is good customer service, but this is again a conclusory analysis premised mostly on hindsight from the Applicant's disclosure. He cites to examples of the Columbia House monthly record subscriptions, which, in fact, are historically associated with extremely poor customer service because they rely on negative option billing as can be seen here:

http://en.wikipedia.org/wiki/Negative_option_billing. See Exhibit 7. In fact, in some jurisdictions the practice is illegal as the note indicates. The Examiner's analysis is thin on an explanation of how one skilled in the art would modify a system like Hastings (which uses a voluntary subscribtion based program using MAX TURNs and MAX OUT constraints to *limit* the number of titles sent to the user) to take into account or integrate the negative option billing aspects of Columbia House or similar systems, which in contrast compel the user to receive materials in an effort to maximize the number of titles sent to the user.

For claims 21, 23, 24 and 26, the Examiner appears to rely on an erroneous interpretation of the language presented. As an example, in claim 21 it states:

> ...said first user's capacity *can be allocated* to said second user *on a temporary basis*

The Examiner's argument here appears to be that he can ignore the term "can be" as not entitled to patentable weight. Appellant does not agree with this logic as it contradicts any notion of reasonable claim construction.

To begin with it is improper to fail to consider any limitation of the claims. In re Geerdes, 491 F.2d 1260, 1262, 180 USPQ 789 (CCPA 1974) ("...every limitation in the claim must be given effect rather than considering one in isolation from the others") Claim language cannot be mere surplusage. An express limitation cannot be read out of the claim. Texas Instruments, Inc. v. United States 10 Int'l Trade Comm'n, 988 F.2d 1165, 1171 (Fed. Cir. 1993).

The claim here sets out that in the recited method the capacity *can be allocated* on a *temporary* basis. This further qualifies the main claim (claim 1), which does not indicate any temporal limitation on the nature of the exchange made between the subscribers. The Examiner clearly cannot ignore this language simply because the claim describes what *can* conditionally occur in certain narrower embodiments of the claimed method where the user is entitled to use certain options for exchanging capacity so that it is only temporary. The user options do not translate the claim language into optional limitations that can be ignored.

In the recent case of Ex Parte Tuli (Appeal 2009-004832) July 8 2010, the Honorable Board had the opportunity to review the following claim language:

> "…wherein *if the user clicks on the display screen or enters text on the remote device*, the display is unfrozen at the browser and the virtual display sent again to the remote device only if the the information is changes"

The Board noted that even if the terminology described a conditional phrase, the Examiner had to show that the prior art had such capability:

> Lastly, we recognize that the recited phrase, "the display is unfrozen" *is a conditional phrase* performed only "if the user clicks on the display screen or enters test on the remote device." *But the prior art must nevertheless teach or suggest a host computer with the ability to perform this conditional limitation* to render claim 1 obvious—which it does not.

Analogously here, the claim specifically recites what capabilities are available: namely, that the capacity can be temporally allocated. Against this additional limitation, the Examiner does not cite anything from the prior art – not even the "official notice" material noted above. These materials do not discuss the capability set out in claim 21 of making the capacity only temporary. The Examiner here has clearly not met the burden of establishing a prima facie case under § 103.

The same argument is applicable to dependent claims 23, 24 and 26. The Examiner appears to cite no prior art against these claims – just a generic argument that the additional limitations can be ignored.

A similar argument is given by the Examiner for claims 22 and 25. While the prior art rejections are not argued separately, the Examiner's conclusion that he can effectively ignore the limitations is again not well founded – the claims clearly specify that instructions are given by the user concerning email notifications. This could be as simple (as noted in the specification) as whether to receive email in the first place, which is clearly not simply descriptive.

2. Claims 5, 17 are patentable over Hastings taken with Pennell

These claims should be allowable for at least the same reasons as for claims 1, 11 from which they depend. Applicant also points out that the convenience factor the Examiner cites from Pennel – while superficially similar - does not translate directly to the domain served by Internet media rental service providers such as set out in Hastings, where a premium is associated and derived from having more eyeballs visit a

site in person. One skilled in the art would be led away from making the kind of modification because Pennel is an entirely different monetization scheme than Hastings.

3. Claims 11, 14 – 20 and 24 – 26 meet the requirements of §101

The Examiner's analysis of claim 11 is flawed because he attempts to dissect and find fault with elements in isolation instead of looking at the claim as a whole as he is required to do. First, the conclusion that he "must" interpret the routines to include "signals," because the routines are described as being in a "computer readable medium" this analysis is incomplete because he does not read the complete limitation.[4] Appellant is not claiming software, or a computer readable medium. The claim language states:

> "A media rental *service system* for distributing playable media items to a user, the system comprising:
>
> a first user preference routine embodied in a computer readable medium and executing *on a computing system* for capturing first user preference data from the first user during a first data session…."

Appellant is clearly not claiming a computer readable medium, so the rejection is inapposite. As noted in a similar recent decision (Ex parte Goldberg et al., Appeal 2009-011732), the claim recited:

> *a computer readable medium encoded with processor readable instructions that when executed by the processor implement:*

The Board noted:

---

[4] Moreover in terms of the suggestion that the specification *must* be interpreted to include transitory signals, here the Examiner does not consider that the routines are shown in the specification as stored on a computing system (see FIG. 7 Server Device 720) and as the claim says, are executing on that computing system. See e.g. the following passages from the specification:

page 24, l. 27:
….*Operating on* System Network Device 720 are the following *software routines and/or supporting structures*, which implement a form of media distribution….

Page 27, ll. 3+
…It will be apparent to those skilled in the art that the modules of the present invention, including those illustrated in FIG. 7 can be implemented using any one of many known programming languages suitable for creating *applications that can run on large scale computing systems*, including servers connected to a network (such as the Internet).

> With respect to the 35 U.S.C. § 101 rejection, the Examiner *finds a computer program product is not patentable subject matter* (Ans. 3, 6). We disagree. Claim 5 is directed to a computer program product that comprises a computer storage medium. The computer storage medium has computer code embedded therein to control a processor. Although the Examiner is correct that the computer program is made up of zeros and ones (Ans. 6), *Appellants are not claiming a computer program nor are they claiming a computer storage medium as alleged by the Examiner* (Ans. 6). We agree with Appellants' assertions (Reply 1-3) and find claim 5 within the statutory categories of 35 U.S.C. § 101.

The claim here also is not a method claim, it clearly sets out a physical device, or product, including a computing system. The fact that the claim also includes software routines within the body of the limitations does not transform it in non-statutory subject matter.

With respect to the Examiner's second argument - that the claim is invalid under § 101 as an improper mix of system and method limitations - Appellant disagrees with this conclusion. On closer inspection it can be seen that the language merely describes *what* structure is performing the function of capturing first user preference data; it is described as:

> "…a *first user preference routine* embodied in a computer readable medium and executing *on a computing system*"

Stated another way, the claim simply explains that the *structure* responsible for capturing the first user preference data is a computing system that is *executing* certain routines.[5]

Finally, Appellant further notes that this second part of the rejection is not really technically accurate under §101 as stated on the record. It is unclear but it appears that the Examiner may have *intended* to use §112 to reject the claim as being indefinite per the holding in IPXL Holdings v. Amazon, 430 F.3d 1377 (Fed. Cir. 2005) which discusses mixed claim language, but he did not do so at this time. If he includes a new basis for his rejection he is requested to make this clear.[6]

---

[5] In any event, the language can be easily modified to read "…*executable* on a computing system" if the Honorable Board deems the present formulation inadequate.

[6] Further clarification is requested on claims 12 – 13 as well since there is no analysis for these claims and they were not rejected at this point even though they depend on claim 11. Again if there is a new rejection Appellant would appreciate this set out specifically.

The rejection of claims 14 – 20 and 24 – 26 should be reversed for the same reason as they depend from claim 11.

VIII. CLAIMS

A copy of the claims involved in the present appeal is attached hereto as Appendix A.

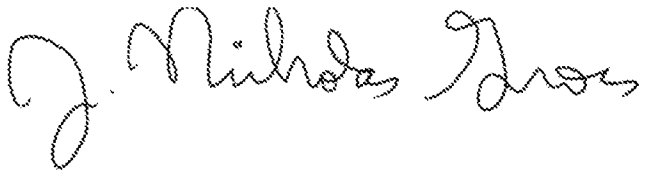
IX. EVIDENCE

No additional evidence pursuant to §§ 1.130, 1.131 or 1.132 or entered by or relied upon by the Examiner is being submitted. Appellant has provided Exhibits 1 – 8, however, to augment the Honorable Board's understanding of the Acid Rain program prior cited by the Examiner in the Final Office Action.

X. RELATED PROCEEDINGS

Appendix B is a copy of the prior decisions rendered by the BPAI, to the extent the panel believes it is useful to refer to the same.

Respectfully submitted,



J. Nicholas Gross
Registration No. 34,175
Attorney for Applicant(s)

September 24, 2010
2030 Addison Street
Suite 610
Berkeley, CA 94704
510-540-6300
510-540-6315 (fax)

APPENDIX A

1. (Rejected) A method of replenishing items in a queue maintained by a content provider for a content site user,comprising the steps of:

(a) setting up a first user selection queue for the first user on a computing system, said first user selection queue consisting of a list of one or more playable media items selected by the first user;

(b) setting up queue replenishment control rules for the first user selection queue on said computing system; and

wherein said queue replenishment control rules are specified at least in part by said first user;

(c) determining with said computing system based on said queue replenishment control rules if a first playable media item should be added to said first user selection queue, and/or if a second playable media item should be removed from said first user selection queue; and

(d) automatically modifying said first user selection queue with said computing system based on the results of step (c) and generating a new ordered list of one or more playable media items for said first user selection queue;

(e) automatically moving a playable media item out of said first user selection queue and into a separate first titles out list for said first user with said computing system when such item is delivered to the first user;

wherein said first titles out list has a first capacity used by said computing system to constrain the first user to a limit of N titles which can be deployed to such user at one time;

(f) in response to a request of said first user, reducing said first capacity of said first titles out list with said computing system so as to increase a second capacity of a second separate user's second titles out list;

wherein said first user can selectively allocate his/her capacity for receiving playable media items to a second user.

2. (Rejected) The method of claim 1, wherein the first user does not need to be connected to the provider over a network during step (c).

3. (Rejected) The method of claim 1 wherein said list of one or more playable media items are set up by a first user defined priority in a delivery sequence ranging from a first playable media item to be delivered from said first user selection queue to a last playable media item to be delivered from said first user selection queue.
4. (Rejected) The method of claim 1, wherein said new ordered list is generated automatically without sending a further notification to the first user.
5. (Rejected) The method of claim 1, further including a step (c)': sending a notification to the first user after step (c) when said queue replenishment control rules determine that said first user selection queue should be modified.
6. (Rejected) The method of claim 1, wherein said first user selection queue is automatically modified in accordance with said queue replenishment control rules after a predefined time delay.
7. (Rejected) The method of claim 1, wherein said queue replenishment control rules include a trigger event to be used in determining when said first user selection queue should be modified.
8. (Rejected) The method of claim 7, wherein said trigger event is associated with a quantity of playable media items remaining in said first user selection queue.
9. (Rejected) The method of claim 7 wherein said trigger event is associated with a determination by an item recommendation system that said additional playable media item should be added to said first user selection queue as a recommended playable media item.
10. (Canceled)

11. (Rejected) A media rental service system for distributing playable media items to a user, the system comprising:

(a) a first user preference routine embodied in a computer readable medium and executing on a computing system for capturing first user preference data from the first user during a first data session, said first user preference data including queue replenishment options;

wherein said queue replenishment control rules are specified at least in part by said first user;

(b) a first user selection routine embodied in a computer readable medium and executing on the computing system for storing titles of one or more playable media items in a first user selection queue;

(c) a first user queue replenishing routine embodied in a computer readable medium and executing on the computing system and configured for updating title selections in said first user selection queue in accordance with said queue replenishment options;

wherein said first user queue replenishing routine optionally automatically selects titles and modifies titles in said first user selection queue without additional first user input;

(d) a first user delivery routine embodied in a computer readable medium and executing on the computing system and configured for automatically moving a playable media item out of said first user selection queue and into a separate first titles out list for said first user with said computing system when such item is delivered to the first user;

wherein said first titles out list has a first capacity used by said computing system to constrain the first user to a limit of N titles which can be deployed to such user at one time;

(e) an exchange routine embodied in a computer readable medium and executing on the computing system and configured for reducing said first capacity of said first titles out list with said computing system in response to a request of said first user, so as to increase a second capacity of a second separate user's second titles out list;

wherein said first user can selectively allocate his/her capacity for receiving playable media items to a second user.

12. (Rejected) The media rental service system of claim 11, wherein said first user selection queue is maintained at a content provider website, and said first user preference routine is operable from a separate service website.

13. (Rejected) The media rental service system of claim 11, wherein said first user selection queue is maintained within a client computing system operated by the first user.

14. (Rejected) The media rental service system of claim 11, wherein said first user queue replenishing routine receives recommendations for titles to be added to said first user selection queue from a recommender system which uses a content filtering algorithm and/or a collaborative filtering algorithm.

15. (Rejected) The media rental service system of claim 11, wherein said media rental service system is operated at an Internet website.

16. (Rejected) The media rental service system of claim 11, wherein said playable media items are movies.

17. (Rejected) The media rental service system of claim 11, further including a notification routine for sending a notice to the first user any changes made by said first user queue replenishing routine.

18. (Rejected) The media rental service system of claim 11, wherein said first user queue replenishing routine ensures that at least one item is always maintained in said selection queue.

19. (Rejected) The media rental service system of claim 11, wherein the first user can further alter an order of titles in said first user selection queue without further additional first user input.

20. (Rejected) The media rental service system of claim 11, wherein the first user can further specify a type of content to be used by said first user queue replenishing routine to replenish said first user selection queue.

21. (Rejected) The method of claim 1, wherein said first user's capacity can be allocated to said second user on a temporary basis.
22. (Rejected) The method of claim 1 wherein said queue replenishment control rules include instructions provided by the first user concerning email notifications.
23. (Rejected) The method of claim 1, wherein said first user can exchange said capacity for access rights to a third playable media item located in a second user delivery queue maintained by the computing system for said second user.
24. (Rejected) The system of claim 11, wherein said first user's capacity can be allocated to said second user on a temporary basis.
25. (Rejected) The system of claim 11 wherein said queue replenishment control rules include instructions provided by the first user concerning email notifications.
26. (Rejected) The system of claim 11, wherein said first user can exchange said capacity for access rights to a third playable media item located in a second user delivery queue maintained by the computing system for said second user.

APPENDIX B

BPAI DECISIONS ON CASES WITH RELATED SUBJECT MATTER

UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/874,412	06/22/2004	John N. Gross	JNG 2004-21	7755

23694 7590 04/28/2009

J. NICHOLAS GROSS, ATTORNEY
2030 ADDISON ST.
SUITE 610
BERKELEY, CA 94704

EXAMINER	
ELISCA, PIERRE E	
ART UNIT	**PAPER NUMBER**
3621	

MAIL DATE	DELIVERY MODE
04/28/2009	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte JOHN N. GROSS

Appeal 2008-6092
Application 10/874,412
Technology Center 3600

Decided:[1] April 28, 2009

Before HUBERT C. LORIN, ANTON W. FETTING, and
BIBHU R. MOHANTY, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge*.

DECISION ON APPEAL

---

[1]The two-month time period for filing an appeal or commencing a civil action, as recited in 37 C.F.R. § 1.304, begins to run from the decided date shown on this page of the decision. The time period does not run from the Mail Date (paper delivery) or Notification Date (electronic delivery).

STATEMENT OF THE CASE

John N. Gross (Appellant) seeks our review under 35 U.S.C. § 134 of the final rejection of claims 1-31. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

SUMMARY OF DECISION

We AFFIRM-IN-PART. [2]

THE INVENTION

The invention is a method of delivering rented media to a subscriber not only based on returned/received status of other rented media in the customer's possession. (Specification 3:8-9.) In one embodiment, the delivery is also based on the lapse of a predetermined time. (Specification 3:24-31.) In another embodiment, the delivery is also based on the occurrence of an overcapacity triggering event, including demand associated for the media item. (Specification 4:4-16.) In a final embodiment, the delivery is also based on a selection of the media by the subscriber after consultation by email. (Specification 4:27-30.)

---

[2] Our decision will make reference to the Appellant's Appeal Brief ("App. Br.," filed Sep. 9, 2006) and Reply Brief ("Reply Br.," filed Mar. 21, 2007), and the Examiner's Answer ("Answer," mailed Jan. 19, 2007).

Claims 1, 17, and 26, reproduced below, are illustrative of the subject matter on appeal.[3]

> 1. A method of delivering media rented machine readable to a subscriber comprising the steps of:
>
> providing a maximum number of machine readable media items (Nmax) which the subscriber can have out at any moment in time;
>
> delivering a machine readable media item to the subscriber in accordance with a priority specified by the subscriber to a computing system;
>
> incrementing a count of machine readable media items out (Nout) at the computing system;
>
> determining if Nout >= Nmax at the computing system; when Nout >=Nmax, setting a timer to a predetermined delay at the computing system;
>
> delivering another machine readable media item to the subscriber after expiration of said predetermined delay, even if Nout >=Nmax;
>
> wherein a number of machine readable media items in excess of Nmax can be in the subscriber's possession and/or in transit to/from the subscriber.
>
> 17. A method of delivering rented machine readable media to a subscriber comprising the steps of:
>
> providing a maximum number of machine readable media items (Nmax) which the subscriber can have out at any moment in time;

---

[3] Appellant filed Amendment D on Nov. 2, 2006 after filing the Appeal Brief. Amendment D does not cancel claims or rewrite dependent claims into independent form, but makes an amendment to claim 11. Therefore, Amendment D is not admitted. *See* 37 C.F.R. § 41.33 (b)-(c) (2007). We shall consider claim 11 as set forth in the Appeal Brief.

delivering a first machine readable media item to the subscriber;

monitoring returns from the subscriber and a delivery capacity for the subscriber with a computing system to identify if a second machine readable media item should be sent to the subscriber;

selecting at least two candidate machine readable media items with the computing system by choosing a first title identified by the subscriber in a first session with the computing system as a title to be delivered next in sequence and a second title automatically selected for the subscriber by the computing system after said first session based on preferences of the subscriber;

presenting said at least two candidate machine readable media items to the subscriber with the computing system to permit such subscriber to select which one should be delivered next in sequence;

wherein the subscriber is consulted before said second machine readable media item is sent.

26. A method of delivering rented machine readable media to subscribers of a media rental service comprising the steps of:

(a) providing a maximum number of machine readable media items (Nmax) which the subscribers can have out at any moment in time from the media rental service;

(b) identifying a demand characteristic with a computing system for a first machine readable media item requested by both a first subscriber and a second subscriber;

(c) monitoring returns from the first subscriber and second subscriber with the computing system to identify if said first machine readable media item should be sent to one or both

> of such subscribers based on capacity available in their respective subscriber delivery queues;
>
> (d) delivering said first machine readable media to said first subscriber based on said demand characteristic and comparing media useage behavior of said first subscriber and said second subscriber.

THE REJECTION

The Examiner relies upon the following as evidence of unpatentability:

Hastings	US 6,584, 450 B1	Jun. 24, 2003

The following rejection is before us for review:

Claims 1-31 are rejected under 35 U.S.C. § 103(a) as being unpatentable over Hastings.

ARGUMENTS

The Examiner contends that Hasting describes the claimed methods, including a MAX OUT limit and a MAX TURNS limit and admits that Hasting does not describe the step of setting a timer to a predetermined delay when Nout>=Nmax. (Answer 4.) The Examiner states,

> [a]ccordingly, it would have been obvious to a person of ordinary skill in the art at the time the invention was made to including the Nout^=Nmax, setting a timer to a predetermined delay into the rental items (or DVDs) [*sic.*] of Hasting since contents of a contract are not deemed patentable difference [*sic.*] and not limited to any particular delivery criteria.

(Answer 8.)

In regards to claim 1, the Appellant argues that Hasting does not describe the claimed steps of setting a timer to a predetermined delay when Nout >= Nmax and delivering another machine readable media item to the subscriber after expiration of said predetermined delay. (App. Br. 6.) The Appellant argues that in Hastings, even if the MAX TURNS limit is greater than the MAX OUT limit, the subscriber is still limited by the MAX OUT limit. (App. Br. 2.) The Appellant also argues that claim 1 recites method steps and not contents of a contract. (Reply Br. 3 footnote 1.)

In regards to claim 11, the Appellant argues that '[t]here is no indication anywhere in Hastings that he imposes an intentional delay after determining an 'overcapacity triggering event.'" (App. Br. 10.)

In regards 'to claim 17, the Appellant argues Hasting does not describe the step of presenting said at least two candidate machine readable media items to the subscriber so that the subscriber is consulted before the second machine readable media item is sent. (App. Br. 11.) The Appellant argues that Hastings automatically ships items in a queued order instead. *Id.*

In response, the Examiner contends that this step is "readable as a provider that provides items indicated by the item selection criteria to customer over a delivery channel" (Answer 10), and, therefore, Hastings describes the step.

In regards to claim 21, the Appellant again argues that Hastings does not describe imposing a delay before shipping items. (App. Br. 11-12.)

In regards to claim 26, the Appellant argues that the Examiner has failed to explain how Hastings teaches the limitations of claim 26 but does not specifically address whether Hastings teaches the recited steps. (App. Br. 12.)

ISSUES

The issue before us is whether the Appellant has shown that the Examiner erred in rejecting claims 1-31 under 35 U.S.C. § 103(a) as being unpatentable over Hastings. Specifically:

1) Would one of ordinary skill in the art be led by Hastings and "common business practice" to the step of setting a timer to a predetermined delay at the computing system when Nout >= Nmax as recited in claim 1 and claim 21?

2) Does claim 11 recite imposing an intentional delay after determining an overcapacity triggering event as argued by the Appellant?

3) Would one of ordinary skill in the art be led by Hastings to the step of presenting said at least two candidate machine readable media items to the subscriber with the computing system to permit such subscriber to select which one should be delivered next in sequence as recited in claim 17?

4) Would one of ordinary skill in the art be led by Hasting to the steps of presenting said second machine readable media item to the subscriber after step (c) with the computing system to permit such subscriber to review said second machine readable before it is actually sent from the media rental service and delivering said second machine readable media item to the subscriber based on a delay of a first time period after step (c) so that said second machine readable item is automatically shipped from the media rental service only after said first time period expires as recited in claim 21?

FINDINGS OF FACT

We find that the following enumerated findings of fact (FF) are supported by at least a preponderance of the evidence. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (explaining the general evidentiary standard for proceedings before the Office).

Claim construction

1. Claim 1 recites:

> determining if Nout >= Nmax at the computing system; when Nout >= Nmax, setting a timer to a predetermined delay at the computing system; delivering another machine readable media item to the subscribed after expiration of said predetermined delay, even if Nout >= Nmax; wherein a number of machine readable media items in excess of Nmax can be in the subscriber's possession and/or in transit to/from the subscriber.

2. Claim 11 recites:

> determining in Nout >= Nmax at the computing system; determining is an overcapacity triggering event has occurred at the computing system; delivering another machine readable media item to the subscriber after expiration of said predetermined delay, even if Nout >= Nmax; wherein a number a number of machine readable items in excess of Nmax can be in the subscriber's possession and/or in transit to/from the subscriber.

3. Claim 17 recites:

> selecting at least two candidate machine readable media items with the computing system by choosing a first title identified by the subscriber in a first session with the computing system as a title to be delivered next in sequence and a second

> title automatically selected for the subscriber by the computing system after said first session based on preferences of the subscriber;
>
> presenting said at least two candidate machine readable media items to the subscriber with the computing system to permit such subscriber to select which one should be delivered next in sequence;
>
> wherein the subscriber is consulted before said second machine readable media item is sent.

4. Claim 21 recites:

> (d) presenting said second machine readable media item to the subscriber after step (c) with the computing system to permit such subscriber to review said second machine readable before it is actually sent from the media rental service;
>
> (e) delivering said second machine readable media item to the subscriber based on a delay of a first time period after step (c) so that said second machine readable media item is automatically shipped from the media rental service only after said first time period expires.

The scope and content of the prior art

5. Hastings relates to a method for renting items to a customer on a subscription basis. (Col. 1, ll. 49-50.)

6. Hasting describes a "MAX TURNS" approach and a "MAX OUT" approach, which may be used together. (Col. 4, ll. 40-42.)

7. The "MAX OUT" approach allows a specified number of items to be rented simultaneously to a customer. (Col. 4, ll. 35-37.)

8. The "MAX TURNS" approach allows up to a specified number of item exchanges to occur during a specified time period. (Col. 4, ll. 37-40.)

9. Figure 6 is reproduced below.

FIG. 6

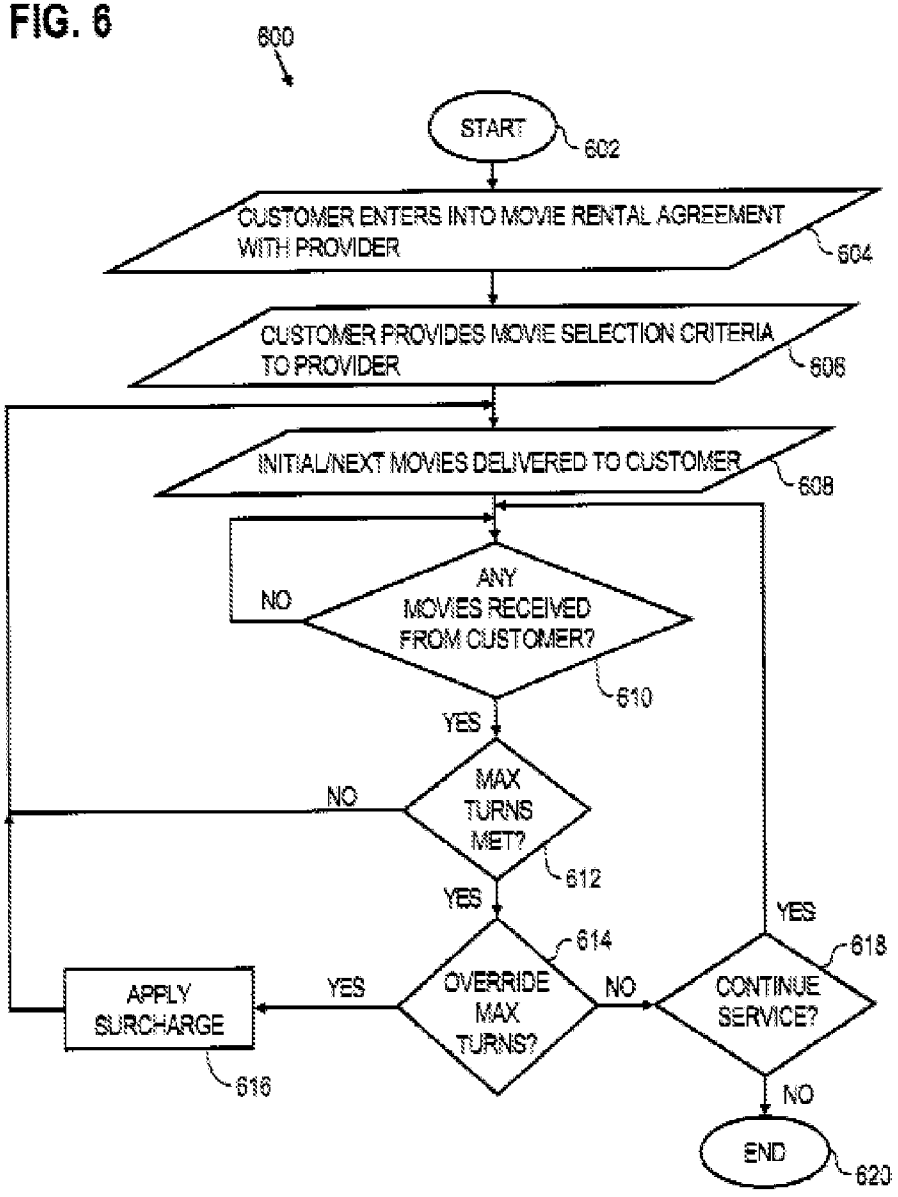


Figure 6 illustrates a method of illustrating using both the "MAX OUT" and "MAX TURNS" approach.

10. The MAX TURNS limit can be overridden to allow more exchanges during the current cycle. (Col. 10, ll. 55-57.)
11. The MAX OUT limit can be increased to allow additional items to be immediately mailed to the customer. (Col. 11, ll. 5-9.)
12. First, the customer set selection criteria which specify a customer's order queue that is fulfilled by the provider. (Col. 4, ll. 64-66.)
13. The selection criteria can include item titles or other item attributes. (*See* col. 8, ll. 43-65.)
14. As the customer return movies, additional movies from the queue are sent to the customer. (Col. 10, ll. 30-33.)

Any differences between the claimed subject matter and the prior art

15. Hastings does not describe setting a timer to a predetermined delay at the computing system when Nout >= Nmax and delivering another machine readable media item to the subscriber after expiration of said predetermined delay, even if Nout >=Nmax.
16. Hastings does not describe presenting said at least two candidates machine readable media items to the subscriber with the computing system *to permit such subscriber to select which one should be delivered next in sequence.*

The level of skill in the art

17. Neither the Examiner nor the Appellant has addressed the level of ordinary skill in the pertinent art of electronic commerce. We will therefore consider the cited prior art as representative of the level of ordinary skill in the art. *See Okajima v. Bourdeau,* 261 F.3d 1350, 1355 (Fed. Cir. 2001) ("[T]he absence of specific findings on the level of skill in the art does not give rise to reversible error

'where the prior art itself reflects an appropriate level and a need for testimony is not shown'") (Quoting *Litton Indus. Prods., Inc. v. Solid State Sys. Corp.*, 755 F.2d 158, 163 (Fed. Cir. 1985)).

Secondary considerations

18. There is no evidence on record of secondary considerations of non-obviousness for our consideration.

PRINCIPLES OF LAW

Claim Construction

During examination of a patent application, a pending claim is given the broadest reasonable construction consistent with the specification and should be read in light of the specification as it would be interpreted by one of ordinary skill in the art. *In re Am. Acad. of Sci. Tech Ctr.*, 367 F.3d 1359, 1364 (Fed. Cir. 2004).

> [W]e look to the specification to see if it provides a definition for claim terms, but otherwise apply a broad interpretation. As this court has discussed, this methodology produces claims with only justifiable breadth. *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984). Further, as applicants may amend claims to narrow their scope, a broad construction during prosecution creates no unfairness to the applicant or patentee. *Am. Acad.*, 367 F.3d at 1364.

In re ICON Health and Fitness, Inc., 496 F.3d 1374, 1379 (Fed. Cir. 2007). Limitations appearing in the specification but not recited in the claim are not read into the claim. *E-Pass Techs., Inc. v. 3Com Corp.*, 343 F.3d 1364, 1369 (Fed. Cir. 2003).

Obviousness

"Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, and (3) the level of skill in the art. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). *See also KSR*, 550 U.S. at 407 ("While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.") The Court in *Graham* further noted that evidence of secondary considerations "might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented." 383 U.S. at 17-18.

ANALYSIS

Claims 1-10

We find that the Examiner has failed to establish a prima facie case that one of ordinary skill in the art would have been led by Hastings to the claimed steps of setting a predetermined delay at the computing system when Nout>=Nmax and delivering another machine readable media item to the subscriber after expiration of said predetermined delay, even if Nout >=Nmax (FF 1).

We find that Hastings does describe increasing a MAX OUT limit so that more items can be delivered to the customer (FF 11) and does describe

having a specified time period as part of the MAX TURNS limit (FF 12). However, in Hastings when the MAX OUT limit is increased the extra items are immediately delivered (FF 11) and not subject to the specified time period.

Further, we find the Examiner's contention that the step of setting a predetermined delay recites is the content of a contract, which the Examiner deems not to be a patentable difference, (Answer 4) to be in error. Claim 1 is a method claim which sets out steps, including the steps of setting a predetermined delay and delivering another item after the expiration of said predetermined delay. (FF 1.) These steps are not the contents of a contract.

Therefore, we hold that the Appellant has shown that the Examiner erred in rejecting claim 1 since the Examiner failed to establish a prima facie case of obviousness. Claims 2-10 depend from claim 1. Accordingly, the rejection of claims 1-10 is reversed.

Claims 11-16

The Appellant argues claims 11-16 as a group (App. Br. 10). We select claim 1 as the representative claim for this group, and the remaining claims 12-16 stand or fall with claim 1. 37 C.F.R. § 41.37(c)(1)(vii) (2007). As to the Appellant's statement regarding claims 12-16 *Id.*, a statement which merely points out what a claim recites will not be considered an argument for separate patentability of the claim. 37 C.F.R. § 41.37(c)(1)(vii). A general allegation that the art does not teach any of the claim limitations is no more than merely pointing out the claim limitations.

We find that the Appellant is arguing a limitation not presently recited in claim 11. (See footnote 3.) "Many of appellant's arguments fail from the

outset because, . . . they are not based on limitations appearing in the claims . . . ." *In re Self*, 671 F.2d 1344, 1348 (CCPA 1982). While claim 11 does recite the step of determining if an overcapacity triggering event has occurred and the step of delivering another machine readable media item after expiration of a predetermined delay (FF 2), claim 11 does not recite that the delay is imposed *after* the determining step.

Therefore, we hold that the Appellant has not shown that the Examiner erred in rejecting claim 11. Accordingly, the rejection of claims 11-16 is affirmed.

Claims 17-20

We find that the presenting step as recited in claim 17 requires more than presenting two candidate machine readable media items as the Examiner seems to contend (Answer 10). We find that claim 17 requires presenting the at least two candidate machine readable media items to the subscriber with the computing system *to permit such subscriber to select which one should be delivered next in sequence.* (FF 3.) Claim 17 further recites "wherein the subscriber is consulted before said second machine readable media item is sent." (FF 3.)

We find that Hastings does not describe the step of presenting said at least two candidates machine readable media items to the subscriber with the computing system *to permit such subscriber to select which one should be delivered next in sequence*. Hastings does describe allowing a customer to set selection attributes, including titles, which are then used by the provider to select movies which are then automatically delivered to the customer. (FF

6 and 12-14.) The automatic delivery of these items does not permit the subscriber to select which one should be delivered next in sequence.

Further, the Examiner does not provide any additional reasons as to why one of ordinary skill in the art would have been led by Hastings to the presenting step as recited in claim 17.

Therefore, we hold that the Appellant has shown that the Examiner erred in rejecting claim 17. Claims 18-20 depend from claim 17. Accordingly, the rejection of claims 17-20 is reversed.

Claims 21-25

Like claim 17, claim 21 includes a step of presenting a second machine readable item to a subscriber. (FF 4.) Claim 21 recites that that the step occurs after the step of monitoring returns from a subscriber and before the second machine readable item is actually sent from the media rental service. *Id.*

For the reasons described above with regards to claim 17, we find that one of ordinary skill in the art would not have been led by Hastings to the presenting step as recited in claim 21.

Therefore, we find that the Appellant has shown that the Examiner erred in rejecting claim 21. Claims 22-25 depend from claim 21. Accordingly, the rejection of claims 21-25 is reversed.

Claims 26-31

We find that the Appellant has not shown that the Examiner erred in rejecting claim 26. The Examiner contends that claim 26 is unpatentable over Hastings. (Answer 3.) The Appellant merely argues that the Examiner

has failed to explain how Hastings teaches the identifying and delivering steps of claim 26 (App. Br. 12), but does not argue that Hastings would not have led one of ordinary skill in the art to the step recited in claim 26.

Appellant has the burden on appeal to the Board to demonstrate error in the Examiner's position. *See In re Kahn*, 441 F.3d 977, 985-86 (Fed. Cir. 2006) ("On appeal to the Board, an applicant can overcome a rejection [under § 103] by showing insufficient evidence of prima facie obviousness or by rebutting the prima facie case with evidence of secondary indicia of nonobviousness.") (quoting *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998)).

Therefore, we hold that the Appellant has not shown that the Examiner erred in rejecting claim 26. Accordingly, the rejection of claims 26-31 is affirmed.

CONCLUSIONS OF LAW

We conclude that the Appellant has shown that the Examiner erred in rejecting claims 1-10 and 17-25 under 35 U.S.C. § 103(a) as being unpatentable over Hastings and that the Appellant has not shown that the Examiner erred in rejecting claims 11-16 and 26-31 under 35 U.S.C. § 103(a) as being unpatentable over Hastings.

DECISION

The decision of the Examiner to reject claims 1-10 and 17-25 is reversed and to rejection claims 11-16 and 26-31 is affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv) (2007).

AFFIRMED-IN-PART

hh

J. NICHOLAS GROSS, ATTORNEY
2030 ADDISON ST.
SUITE 610
BERKELEY, CA 94704

UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/874,412	06/22/2004	John N. Gross	JNG 2004-21	7755

23694 7590 07/30/2009

J. NICHOLAS GROSS, ATTORNEY
2030 ADDISON ST.
SUITE 610
BERKELEY, CA 94704

EXAMINER
ELISCA, PIERRE E

ART UNIT	PAPER NUMBER
3621	

NOTIFICATION DATE	DELIVERY MODE
07/30/2009	ELECTRONIC

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

jngross@pacbell.net
anthonygreek@gmail.com

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte JOHN N. GROSS

Appeal 2008-006092
Application 10/874,412
Technology Center 3600

Decided:[1] July 28, 2009

Before HUBERT C. LORIN, ANTON W. FETTING, and
BIBHU R. MOHANTY, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge*.

DECISION ON REQUEST FOR REHEARING

---

[1] The two-month time period for filing an appeal or commencing a civil action, as recited in 37 C.F.R. § 1.304, begins to run from the decided date shown on this page of the decision. The time period does not run from the Mail Date (paper delivery) or Notification Date (electronic delivery).

STATEMENT OF THE CASE[2]

The Appellants filed a Request for Rehearing under 37 C.F.R. § 41.52 (filed Jun. 2, 2009) of the Decision on Appeal (mailed Apr. 28, 2009).

In the Decision on Appeal, the Board affirmed the rejection of claims 11-16 and 26-31 under 35 U.S.C. § 103(a) as being unpatentable over Hastings but reversed the rejection of claims 1-10 and 17-25 under 35 U.S.C. § 103(a) as being unpatentable over Hastings.

The Request seeks reconsideration of the affirmance of the rejection of claims 26-31 only. Request 1. We have reviewed the Request. We see nothing in the Request for Reconsideration that would give us cause to change or modify our position affirming the rejection of claims 26-31.

According to the Appellant, the passage from the Decision reproduced below contains statements that are inaccurate and misstate the obligations imposed on the Appellant under the law. Request 1-2.

> We find that the Appellant has not shown that the Examiner erred in rejecting claim 26. The Examiner contends that claim 26 is unpatentable over Hastings. (Answer 3.) The Appellant merely argues that the Examiner has failed to explain how Hastings teaches the identifying and delivering steps of claim 26 (App. Br. 12), but does not argue that Hastings would not have led one of ordinary skill in the art to the step recited in claim 26.

Decision 16-17.

---

[2] Our decision will make reference to Appellants' Request for Rehearing, ("Req.," filed Jun. 2, 2009), the Board of Patent Appeals and Interferences Decision ("Dec.," mailed April 28, 2009), Appellants' Appeal Brief ("Br.," filed Sep. 6, 2006) and the Examiner's Answer ("Ans.," mailed Jan. 19, 2007).

According to the Appellant (Req. 3), the Appellant was not obligated to say any more about the rejection of claims 26-31 than was said in the Appeal Brief, which was:

> Independent claim 26 was added some time ago, but the Examiner continues to ignore most of the limitations of such claim, and has failed to explain how Hastings teaches or suggests any of at least the following limitations:
>
> > "[. . .]dentifying a demand characteristic for a first machine readable media item requested by both a first subscriber and a second subscriber[. . .]."
> >
> > "[. . .] delivering said first machine readable media item to said first subscriber based on said demand characteristic and comparing useage behavior of said first subscriber and said second subscriber[. . .]"
> >
> > ["…]wherein said delay is imposed by an inventory management system based at least in part on demand for said second machine readable media item."
>
> Accordingly, given the lack of teaching in the reference, Applicant submits that the claim should be allowable. Again the Office Action makes no case sufficient within the requirements of 35 USC § 103 and MPEP (707.07(g)) against the patentability of such claims and they should be allowed.
>
> Similarly, the Office Action cites no teaching or suggestion in Hastings for any of the additional variants claimed in dependent claims 26 - 31. *See* Appeal Brief 12.

According to the Appellant, the initial burden of establishing a prima facie case lies with the Examiner and, in this case, the Examiner did not provide one and thus "the applicant is under no obligation to submit evidence of

nonobviousness", (citing MPEP 2142). In fact, according to the Appellant, "[t]he limitations for claim 26 are never even discussed anywhere in the body of the Answer." Request 2. The Appellant would have "this Honorable Board to candidly acknowledge the complete lack of evidence that can be used as the basis for a rejection." Request 2-3.

SUMMARY OF DECISION

We DENY the REQUEST FOR REHEARING.

DISCUSSION

We turn first to the Answer to see if the Examiner set forth a prima facie case of obviousness for the subject matter of claim 26 and claims 27-31 depending thereon.

We agree that nowhere in the Answer are claims 26-31 *separately* addressed. However, these claims are included in the statement of the rejection and therefore it is plain that the Examiner takes the position that Hastings renders obvious the subject matter of claims 26-31. Furthermore, on pages 5-6 of the Answer, the Examiner argues:

> As per claims 11-16, 18-20 and 22-31, Hastings substantially discloses a rental items (or DVDs) across a plurality of distribution locations, the method comprising the steps of:
> Providing a maximum number of machine readable media items (Nmax) which the subscriber can have out at any moment in time (see., abstract, col 7, lines 39-49, specifically " Max Turns" approach for renting items to customers, or NETFLIX);
> Delivering a machine readable media item to the subscriber in accordance with a priority specified by the subscriber (see;, abstract, col 1, lines 56-67, col 2, lines 1-12, specifically wherein said one or more items that customer desires to rent. .. .);
> Delivering another machine readable media item to the subscriber after expiration of said predetermined delay, even if Nout=Nmax.

> It is obvious to realize that even after the delay, the customer can receive another item or DVD because it is a common business practice;
> Wherein a number of machine readable media items in excess of Nmax can be in the subscriber's possession and/or in transit to/from the subscriber (*see*., abstract, col 1, lines 56-67, col 6, lines 14-29, specifically one or more 'items selection criteria are provided to the customer, wherein a total current number of items provided to the customer does not exceed the specified number, or Max Turns). Hastings does not explicitly detail wherein said determining if Nout>=Nmax, setting a timer to a predetermined delay. However, Hasting discloses a Max out limit that allows additional items to be delivered to the customer ... (*see*., Hasting, col 6, lines 14-29, col 7, lines 39-49, specifically wherein said if the number of items rented to customer in the current subscription period is less than the agreed-upon "MAX Turns" then additional items can be rented to customer). Accordingly, it would have been obvious to a person of ordinary skill in the art at the time the invention was made to including the Nout^=Nmax, setting a timer to a predetermined delay into the rental items (or DVDs) of Hastings since contents of a contract are not deemed patentable difference and not limited to any particular delivery criteria.

Answer 5-6 (emphasis original).

Clearly, the argument above applies to claims 11-16, 18-20 and 22-31 and therefore applies to claims 26-31. Albeit claims 26-31 are not separately addressed, the above argument is not a set of mere conclusory statements but provides an "articulated reasoning with some rational underpinning for the legal conclusion of obviousness," for the subject matter of claims 11-16, 18-20 and 22-31. *See KSR Int'l Co. v. Teleflex Inc.,* 550 U.S. 398, 418 (2007), quoting *In re Kahn*, 441 F.3d 977, 988 (Fed. Cir. 2006). Accordingly, a bona fide attempt to present a prima facie case of obviousness was made for the subject matter of claims 26-31.

The Appellant was then under an obligation to rebut the Examiner's prima facie case. We agree that the Appellant was not under an obligation to

submit *evidence* of nonobviousness if the Examiner had not made a prima facie case of obviousness. But, given the prima facie case, it was incumbent on the Appellant to show weaknesses in the Examiner's reasoning supporting the prima facie case.

In that regard, the Appeal Brief responded by arguing claims 26-31 as a group, focusing solely on claim 26, and stating that the "Examiner continues to ignore most of the limitations of such claim, and has failed to explain how Hastings teaches or suggests any of at least the following limitations

> ". . .identifying a demand characteristic for a first machine readable media item requested by both a first subscriber and a second subscriber. . . .
>
> ". . .delivering said first machine readable media item to said first subscriber based on said demand characteristic and comparing usage behavior of said first subscriber and said second subscriber. . . ."
>
> wherein said delay is imposed by an inventory management system based at least in part on demand for said second machine readable media item."

Appeal Brief 12.

We disagree.

As a preliminary matter, the alleged limitation "wherein said delay is imposed by an inventory management system based at least in part on demand for said second machine readable media item" does not appear in claim 26.

As to the other limitations (i.e., steps (b) and (d)) [3] of claim 26, it becomes clear that the Examiner did not ignore these limitations but rather addressed them implicitly.

Step (b) of claim 26 calls for "identifying a demand characteristic". This is not expressly described in the Specification. The Appellant (Br. 5) pointed to p. 11, ll. 20-32 of the Specification, which discusses allowing the system "to use a customer acceptance, and/or its own selection criteria, rather than a receiving event, to control shipping titles." In that context, the Examiner implicitly addressed step (b) of claim 26 via a later the discussion in the Answer over selection criteria relative the subject matter claimed in claims 17 and 21 (see e.g., Ans. 8: "delivery criteria" and "one or more selection criteria are provided to the customer").

Step (d) of claim 26 is also not expressly described in the Specification but said to be described at p. 11, ll. 20-32 of the Specification. Appeal Brief 6. There the Specification describes an example whereby the service determines that a customer is likely to enjoy title A and if the subscriber selects it this provides an opportunity for the provider to ship a more popular title to another subscriber. In that context, the Examiner implicitly addressed the subject matter of step (d) of claim 26 (as well as claim 28) by arguing that "[i]t is obvious to realize that even after the delay, the customer can receive another item or DVD because it is a common business practice." Answer 3 and 6.

Accordingly, we do not agree that the Examiner failed to address the claimed subject matter at all as the Appellant argues. While we agree that

---

[3] The Request incorrectly states that the Appellant asserted that Hastings does not show limitations (b) and *(c)*. Request 3.

the Examiner could have been more clear, a bona fide attempt was made to present a prima facie case of obviousness, with reasoning, for the claimed subject matter.

For its part, the Appellant did not cite weaknesses in the Examiner's reasoning but rather argued that the Examiner did not show certain limitations to be disclosed in Hastings. In effect, the Appellant was arguing that Hastings did not disclose or suggest certain claimed features in claims 26-31, without responding to the Examiner's reasoning in establishing a prima facie case of obviousness. "It is not the function of this court to examine the claims in greater detail than argued by an appellant, looking for nonobvious distinctions over the prior art." *In re Baxter Travenol Labs*, 952 F.2d 388, 391 (Fed. Cir. 1991). See also *In re Wiseman*, 596 F.2d 1019, 1022 (CCPA 1979) (arguments must first be presented to the board). A general allegation that the art does not teach any of the claim limitations is no more than merely pointing out the claim limitations. A statement which merely points out what a claim recites will not be considered an argument for separate patentability of the claim. 37 C.F.R. § 41.37(c)(1)(vii)

For the foregoing reasons, we do not see that we have misapprehended or overlooked any argument made in the Appellants' Appeal and Reply Briefs. See 37 C.F.R. § 41.67(a)(1).

We have considered the Appellants' Request for Rehearing.

For the foregoing reasons, we find it unpersuasive as to error in the Decision to conclude that the Appellant had not shown that the Examiner erred in rejecting claims 11-16 and 26-31 under 35 U.S.C. § 103(a) as being unpatentable over Hastings.

The decision to reverse the rejection of claims 1-10 and 17-25 and to affirm the rejection of claims 11-16 and 26-31 is maintained.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 CFR § 1.136(a).

DENIED

mev

J. NICHOLAS GROSS, ATTORNEY
2030 ADDISON ST.
SUITE 610
BERKELEY CA 94704

UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/770,937	02/02/2004	John N. Gross	JNG 2004-1	1607

23694 7590 10/01/2009

J. NICHOLAS GROSS, ATTORNEY
2030 ADDISON ST.
SUITE 610
BERKELEY, CA 94704

EXAMINER	
ROSEN, NICHOLAS D	
ART UNIT	PAPER NUMBER
3625	

NOTIFICATION DATE	DELIVERY MODE
10/01/2009	ELECTRONIC

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

jngross@pacbell.net
anthonygreek@gmail.com

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte JOHN N. GROSS

Appeal 2009-002646
Application 10/770,937
Technology Center 3600

Decided: September 29, 2009

Before, MURRIEL E. CRAWFORD ANTON W. FETTING and JOSEPH A. FISCHETTI, *Administrative Patent Judges*.

FISCHETTI, *Administrative Patent Judge*.

DECISION ON REQUEST FOR REHEARING

STATEMENT OF THE CASE

Appellant has filed a Request for Rehearing under 37 C.F.R. § 41.52(a)(3) (2007) of our Decision of March 30, 2009. In so doing, the Decision affirmed the rejections of claims 1-36 under 35 U.S.C. § 103(a) as unpatentable over the base combination of Hastings in view of Ostrom, and other various references applied to the dependent claims.

ANALYSIS

I. Appellant argues that "…the Board does not apparently realize is that Ostrom is *not* teaching anything beyond what is already shown in Hastings et al. The latter is directed to the operation of the Netflix website and Ostrom is merely cumulative and repetitive of Hasting et al.s' teachings." (Request 2). Appellant next states that "[t]he suggestion that Ostrom is teaching something new or different is completely mistaken." (Request 3). We disagree with Appellant because our use of Ostrom is driven by its more complete description of certain aspects of the prior art system, rather than by a difference in teaching as Appellant asserts. Since Ostrom is not incorporated by reference in Hastings, it must be relied on and applied as a separate reference.

II. Appellant argues that "[t]he Board confuses the re-ordering of the list with the act of making sure the list always '...include(s) at least one playable media item...'." (emphasis added)(Request 3). However, the Appellant's arguments are not commensurate with the broader scope of claim 1 which recites

to automatically determine with said first computer if an

> *additional playable media item should be added to said subscriber delivery queue; and*
>
> *(d) automatically modifying said subscriber delivery queue with said first computer to generate a new ordered list of one or more playable media items in response to the subscriber confirming that said additional playable media item can be included in said subscriber delivery queue.*

Claim 1 (emphasis added)

Such language does not require that the list always include at least one playable media, as asserted by Appellant because the claim language is conditional upon a confirming response back from the subscriber as to whether to include the media or not. *See In re Self*, 671 F.2d 1344, 1348 (CCPA 1982).

III. Appellant next asserts "... that the Board, like the Examiner, is trying to impart teachings/capabilities to Ostrom that are simply not there." (Request 3). We disagree with Appellant because the portion of the Decision which the Request points to here does not impart any teachings/capabilities to Ostrom, but rather is a reading of Ostrom based on the four corners of its disclosure and based on interpreting the claims using common sense. Specifically, as the list is decremented, it is modified to become a new list.

IV. Appellant reasserts the argument made in their Brief that "the act of sending the next movie, even if it 'modifies' the list, does not cause the subscriber delivery queue to be '*...maintained automatically for the subscriber so as to include at least one playable media item* which could be delivered to such subscriber.'" (Request 3). Again, the Board directs Appellant to pages 13 and 14 of its Decision and to its analysis and consequential findings that in Hastings "the MAX TURNS mode insures

that for a given cycle, and for however many number of overrides occur, at least one playable media can be delivered to a subscriber." (Decision, p. 14).

V. Appellant next argues that, "…there is no teaching, motivation or suggestion in the references to change the underlying behavior of Hastings et al. to include this type of operation. The Examiner and the Board do not dispute this lack of evidence." (Request 4). We disagree with Appellant. Nowhere in our Decision do we admit such a lack of evidence. More important, Appellant here presents for the first time an argument to the lack of teaching, motivation or suggestion for a majority of the claims. The only instance of such an argument being made in the Brief was on page 13 directed to only claim 16 and Kamel, and was not, as now, made to the general combination of Hastings and Ostrom. The Decision nevertheless points out that "[t]o the extent Appellant seeks an explicit suggestion or motivation in the reference itself, this is no longer the law in view of the Supreme Court's recent holding in *KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 1741 (2007)." (Decision 17).

VI. Appellant argues that with respect to our interpretation of Hastings, and how we have interpreted the MAX TURNS disclosures at pages 13 and 14 of our Decision, that such different interpretation constitutes a new ground of rejection because the "rejection is based on a new claim interpretation not previously presented to Appellant during prosecution…" and Appellant thus far has not "had a fair opportunity to react to the rejection." (Request 6). Since our interpretation differs from that taken by the Examiner, and Appellant has not had the opportunity to rebut same, we thus modify our Decision to designate it as a new ground of rejection under 37 C.F.R. § 41.50(b).

VII. Appellant's arguments to claims 9-14, and 16-19 are new, and were not presented in their Brief and thus will not be considered now.

VIII. Appellant argues that he argued claim 36 with specificity in his Brief. (Request 19). The sum total of Appellant's argument in his Brief to claim 36 was to repeat the limitations of the claims which we do not consider to be a reasonably specific argument. A statement which merely points out what a claim recites will not be considered an argument for separate patentability of the claim. See, 37 C.F.R. § 41.37 (c)(1)(vii) (2004).

DECISION

Our decision to affirm the decision of the Examiner to reject the claims on appeal under 35 U.S.C. § 103(a) over Hastings in view of Ostrom and various other references used to reject dependent claims has not been shown to have been erroneous. However, because in so affirming we used a different rationale than that articulated by the Examiner, we grant the request for rehearing only to the extent that we denominate the Decision a new ground of rejection under 37 C.F.R. § 41.50(b).

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a)(1)(iv) (2007).

REHEARING GRANTED
ONLY AS TO DENOMINATE
A NEW GROUND OF REJECTION UNDER 37 CFR 41.50(b)

mev

J. NICHOLAS GROSS, ATTORNEY
2030 ADDISON ST., SUITE 610
BERKELEY CA 94704

To: jngross@pacbell.net,anthonygreek@gmail.com,
From: PAIR_eOfficeAction@uspto.gov
Cc: PAIR_eOfficeAction@uspto.gov
Subject: Private PAIR Correspondence Notification for Customer Number 23694

Oct 01, 2009 05:58:29 AM

Dear PAIR Customer:

J. NICHOLAS GROSS, ATTORNEY
2030 ADDISON ST.
SUITE 610
BERKELEY, CA 94704
UNITED STATES

The following USPTO patent application(s) associated with your Customer Number, 23694 , have new outgoing correspondence. This correspondence is now available for viewing in Private PAIR.

The official date of notification of the outgoing correspondence will be indicated on the form PTOL-90 accompanying the correspondence.

Disclaimer:
The list of documents shown below is provided as a courtesy and is not part of the official file wrapper. The content of the images shown in PAIR is the official record.

Application	Document	Mailroom Date	Attorney Docket No.
10770937	APD2	10/01/2009	JNG 2004-1

To view your correspondence online or update your email addresses, please visit us anytime at https://sportal.uspto.gov/secure/myportal/privatepair.

If you have any questions, please email the Electronic Business Center (EBC) at EBC@uspto.gov with 'e-Office Action' on the subject line or call 1-866-217-9197 during the following hours:

Monday - Friday 6:00 a.m. to 12:00 a.m.

Thank you for prompt attention to this notice,

UNITED STATES PATENT AND TRADEMARK OFFICE

PATENT APPLICATION INFORMATION RETRIEVAL SYSTEM

UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
10/770,937	02/02/2004	John N. Gross	JNG 2004-1	1607

23694 7590 03/30/2009

J. NICHOLAS GROSS, ATTORNEY
2030 ADDISON ST.
SUITE 610
BERKELEY, CA 94704

EXAMINER	
ROSEN, NICHOLAS D	
ART UNIT	**PAPER NUMBER**
3625	

MAIL DATE	DELIVERY MODE
03/30/2009	PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte JOHN N. GROSS

Appeal 2009-2646
Application 10/770,937
Technology Center 3600

Decided: March 30, 2009

Before MURRIEL E. CRAWFORD, ANTON W. FETTING, and JOSEPH A. FISCHETTI, Administrative *Patent Judges*.

FISCHETTI, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

Appellant seeks our review under 35 U.S.C. § 134 of the Examiner's final rejection of claims 1-36. We have jurisdiction under 35 U.S.C. § 6(b). (2002)

SUMMARY OF DECISION

We AFFIRM.

THE INVENTION

Appellant claims a system and method for monitoring purchase orders and/or rental selections made by consumers, and providing automatic selections, notifications, shipments and exchanges of new items. (Specification 1:11-13)

Claim 1, reproduced below, is representative of the subject matter on appeal.

> 1. A method of distributing playable media items over an electronic network from a first computer maintained by a provider of a media distribution service to a second computer used by a subscriber of such service, the playable media items corresponding to machine readable media readable by a subscriber machine player, the method comprising the steps of:
>
> (a) setting up a subscriber delivery queue for the subscriber to be controlled by the first computer, said subscriber delivery queue consisting of an ordered list of one or more playable media items to be delivered to the subscriber in a subscriber-defined priority;
>
> wherein said subscriber delivery queue is set up at least in part in response to item selection directions provided by the subscriber over the network using the second computer;
>
> (b) setting up queue replenishment control rules for the subscriber delivery queue; and
>
> (c) monitoring said subscriber delivery queue in accordance with said queue replenishment control rules to

automatically determine with said first computer if an additional playable media item should be added to said subscriber delivery queue; and

(d) automatically modifying said subscriber delivery queue with said first computer to generate a new ordered list of one or more playable media items in response to the subscriber confirming that said additional playable media item can be included in said subscriber delivery queue;

wherein said subscriber delivery queue is maintained automatically for the subscriber so as to include at least one playable media item which could be delivered to such subscriber.

THE REJECTION

The Examiner relies upon the following as evidence of unpatentability:

Davis	US 6,105,006	Aug. 15, 2000
Berstis	US 6,105,021	Aug. 15, 2000
Kamel	US 2001/0014145 A1	Aug. 16, 2001
Jacobi	US 6,317,722 B1	Nov. 13, 2001
Kolawa	US 6,370,513 B1	Apr. 9, 2002
Nakagawa	US 2002/0046129 A1	Apr. 18, 2002
Raphel	US 2003/0023743 A1	Jan. 30, 2003
Hastings	US 6,584,450 B1	Jun. 24, 2003
Postelnik	US 2006/0218054 A1	Sep. 28, 2006

M.A. Ostrom, "With newer releases, Netflix users can anticipate a 'very long wait'" The Mercury News, July 7, 2002.

The following rejections are before us for review.

1. The Examiner rejected claims 1, 2, 3, 4, 7, 8, 15, 17, 18, 19, 20, 21 23, 24, 28, 29, 30, and 31 under 35 U.S.C. 103(a) as being unpatentable over Hastings in view of Ostrom.

2. The Examiner rejected claim 5 as unpatentable under § 103 in light of the rejection (1) above and further in view of Raphel.

3. The Examiner rejected claim 6 as unpatentable under § 103 in light of the rejection (1) above and further in view of Berstis.

4. The Examiner rejected claims 9, 10, 11 are unpatentable under § 103 in light of the rejection (1) above and further in view of Postelnik.

5. The Examiner rejected claim 12 as unpatentable under § 103 in light of the rejection (1) above and further in view of Jacobi.

6. The Examiner rejected claim 13 as unpatentable under § 103 in light of the rejection (1) above and further in view of Davis.

7. The Examiner rejected claim 14 as unpatentable under § 103 in light of the rejection (1) above and further in view of Nakagawa.

8. The Examiner rejected claim 16 as unpatentable under § 103 in light of the rejection (1) above and further in view of Kamel.

9. The Examiner rejected claims 20, 21, 25 26, 27, 32, 33, 34 are unpatentable under § 103 in light of the rejection (1) above and further in view of Official Notice.

10. The Examiner rejected claim 36 as unpatentable under § 103 in light of Hastings taken with Kolawa and Official Notice.

ISSUE

Has Appellant shown that the Examiner erred in rejecting claims 1, 2, 3, 4, 7, 8, 15, 17, 18, 19, 20, 21, 23, 24, 28, 29, 30, and 31 under 35 U.S.C. 103(a) as being unpatentable over Hastings in view of Ostrom on the grounds that a person with ordinary skill in the art would have known that the MAX TURNS rules which control the output of titles to the customer in Hastings also cause the delivery queue to be maintained automatically for the subscriber so as to include at least one playable media item which could be delivered to such subscriber.

Has Appellant shown that the Examiner erred in rejecting the remaining claims on appeal under 35 U.S.C. 103(a) as being unpatentable over Hastings in view each of several other references in that a person with ordinary skill in the art would have known to make such combinations.

FINDINGS OF FACT

We find the following facts by a preponderance of the evidence:

1. The Examiner found that Hastings discloses

> (c) monitoring said subscriber delivery queue in accordance with said queue replenishment rules; wherein said subscriber delivery queue is maintained automatically for the subscriber so as to include at least one playable media item which could be delivered to such subscriber (ibid.). (Answer 5)

2. Ostrom discloses:

> Selecting from nearly 12,000 titles, Netflix subscribers create a list of movies in order of preference. Movie requests are generally fulfilled on a first-come, first-serve basis. If a top pick isn't available, Netflix sends the next movie on the list. While savvy subscribers reorder their preference list regularly to ensure that the new releases stay at the top, even that is not a guarantee… (Ostrom, p.1)

3. The Specification describes:

> A Subscriber Delivery Queue Module 723 controls and updates subscriber delivery queues in response to subscriber selections, automatic return and shipping instructions issued by Media Processing Module 722 (such as when a title is returned) and based on a Intelligent Queue Monitor module 726 described below. (Specification 25: 10-19)

4. Hastings discloses "If the specified number of items are currently rented to customer 102 and the specified item delivery criteria triggers the delivery of one or more additional items, then those items are not delivered until one or more items are returned by customer 102 to provider 104." (Hastings, col.5, ll. 44-49)

5. Hastings discloses

> Instead of identifying particular movie titles, the movie selection criteria may specify movie preferences for customer 502, e.g., types of movies, directors, actors, or any other movie preferences or attributes. In this situation, provider 504 automatically selects particular titles that

> satisfy the movie selection criteria. For example, the movie selection criteria may specify a preference for action movies starring a particular actor, with a preference for "new release" movies. Provider 504 attempt to provide movies to customer 502 that best satisfy the preferences indicated by the movie selection criteria. (Hastings, col. 10, ll. 3-14)

6. Hastings discloses

> If, in step 612, a determination is made that the "Max Turns" limit has been met for the current cycle, i.e., in the present example, four movies 512 have been mailed to customer 502 in the current month, then in step 614 a determination is made whether to override the current "Max Turns" limit. If so, then in step 616, a surcharge is applied to customer 502 and control returns to step 608 where the additional movies 514 are mailed to customer 502. If not, then in step 618, a determination is made whether to continue the subscription service. If so, then no additional movies are mailed to customer 502 during the current cycle, e.g., the current month, and the control returns to step 610. If, in step 618, a determination is made that service is not to be continued, then the process is complete in step 620. (Hastings, col.10, ll. 52-64)

7. The Examiner found:

> Hastings discloses the user providing movie selection criteria such as types of movies, actors, directors, etc. (column 9, line 63, through column 10, line 14). Thus, Hastings's method would have to involve analyzing "other playable media items" to determine what type of movies they were, who

> the actors and directors were, etc., in order to accomplish Hastings's disclosed purpose. (Answer 22-23)

8. The Examiner found with respect to claim 9 that:

> Hastings does not disclose sending a notification to the subscriber after step (c) when the queue replenishment control rules determine that the subscriber delivery queue should be modified, but it is well known to send customers notifications of pending deliveries, modifications to their orders, etc., as taught,, for example, by Postelnik (paragraph 74). Hence, it would have been obvious to one of ordinary skill in the art of electronic commerce at the time of applicant's invention to send such a notification, for such obvious advantages as assuring a subscriber of the imminent shipment of desired items, or enabling a subscriber to modify his preference list to receive a more desired item (as set forth in Ostrom). (Answer 9)

9. The Examiner found with respect to claim 12 that:

> Hastings does not disclose that the notification includes an embedded uniform resource link (URL) or an electronic response field in the notification so as to allow the subscriber to review playable media title recommendations from a recommender system, but Jacobi teaches notifications including hyperlinks to allow a user to review recommendations from a recommender system (column 10, lines 54-62). Hence, it would have been obvious to one of ordinary skill in the art of electronic commerce at the time of

applicant's invention for the notification to include an embedded uniform resource link (URL) or an electronic response field, for the obvious advantage of profiting from selling (or renting) items to the subscriber that the subscriber is likely to be interested in. (Answer 10-11)

10. The Examiner found with respect to claim 13 that

Hastings does not disclose that the subscriber delivery queue is automatically modified in accordance with the queue replenishment rules after a predefined time delay, but it is well known to take action after a predefined time delay, as taught, for example, by Davis (column 23, lines 16-26). Hence, it would have been obvious to one of ordinary skill in the art of electronic commerce at the time of applicant's invention for the subscriber delivery queue to be automatically modified in accordance with the queue replenishment rules after a predefined time delay, for at least the obvious advantage of giving someone (the subscriber, or an administrator), time to make any manual modification which seem indicated. (Answer 11)

11. The Examiner found with respect to claim 14 that

Hastings does not disclose that the notification provides directions for the subscriber to accept and/or modify said additional playable media item, but Ostrom, as noted, discloses the subscriber modifying (or, by default, accepting) a list, and it is well known to provide directions, as taught, for example, by Nakagawa (display of directions in paragraph 41). , Hence, it would have been obvious to one of ordinary skill in the art of

> electronic commerce at the time of applicant's invention to provide such directions, for the obvious advantage of enabling the subscriber to readily modify (or accept) the queue according to his wishes. (Answer 11-12)

12. The Examiner found with respect to claim 15 that "…Hastings discloses a trigger event to determine delivery of an item to a subscriber (column 5, lines 1-14; column 14, lines 1-17), which implies modifying the subscriber delivery queue (at least by deleting the item now delivered)." (Answer 7)

13. The Examiner found with respect to claim 16 that:

> Hastings does not disclose that the trigger event is associated with a quantity of playable media items remaining in said subscriber delivery queue, but a trigger event could be associated with a quantity of playable media items remaining in the delivery queue in several ways (e.g., the queue might have become too large or too small), and it is well known at least to add additional items to a queue which has become too small, as taught, for example, by Kamel (paragraphs 161, 162, 167, and 168). Hence, it would have been obvious to one of ordinary skill in the art of electronic commerce at the time of applicant's invention for the trigger event to be associated with a quantity of playable media items remaining in said subscriber delivery queue, for the obvious advantage of assuring an adequate quantity of playable media items in the queue. (Answer 12)

PRINCIPLES OF LAW

"Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1734 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art, and (4) where in evidence, so-called secondary considerations. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). *See also KSR*, 127 S.Ct. at 1734 ("While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.")

ANALYSIS

We affirm the rejection of claims 1-36.

Independent claim 1:

Appellant argues that "Ostrom says nothing about *automatically* determining whether an 'additional playable media item' should be added to the queue. It is merely repeating the fact that subscribers could add such items manually as is already disclosed in Hastings." (Appeal Br. 9) (Emphasis original) That argument is not well taken because the Appellant is attacking the reference individually when the rejection is based on a

combination of references and the Examiner found that Hastings and not Ostrom teaches the automatically determining step feature (FF 1). *See In re Keller*, 642 F.2d 413, 426 (CCPA 1981); *In re Young*, 403 F.2d 754 (CCPA 1968). Notwithstanding, *see infra*, our discussion of the MAX TURNS feature of Hastings which we conclude includes an automatic determining feature.

Appellant further argues that "Similarly Ostrom does not "automatically" modify the subscriber queue, this is something that user must do on their own again." (Appeal Br. 9) In light of the breadth of the claim, the Appellant's argument is not persuasive as to error in the rejection because we interpret Ostrom's disclosure of Netflix sending the next movie on the list as modifying the list by decrementing the list by one which decremented list becomes the new list.

Appellant next argues that Hastings

> makes no mention anywhere of "monitoring" the subscriber's queue and using such information to determine an additional playable media item. He merely fills the queue with items which are from manual selections or with items automatically based on subscriber selection criteria…. (Appeal Br. 10)

The Examiner's position is that

> …this depends on what one understands monitoring the subscriber delivery queue to mean. If monitoring the queue must mean specifically monitoring the number of items in the queue, Appellant's contention is true. If monitoring the

> queue can mean monitoring subscriber selections and criteria associated with the queue, and, by implication, monitoring whether particular items are already in the queue, or have been in the past, then Hastings monitors subscriber delivery queues. Examiner may properly give the broadest reasonable interpretation to claim language in the course of examining claims. (Answer 21)

Claim 1 recites: ... *monitoring said subscriber delivery queue in accordance with said queue replenishment control rules to automatically determine with said first computer if an additional playable media item should be added to said subscriber delivery queue.* Thus, first, with regard to Appellant's argument above, the involved language does not use the conjunction "and" making the argument more specific than the scope of the claims. *See In re Self*, 671 F.2d 1344, 1348 (CCPA 1982).

Second, we agree with the Examiner that the mailing queue in Hastings, analogous to Appellant's Subscriber Delivery Queue, is monitored to the extent that Hastings determines or monitors the number of titles mailed to a customer in a given month (FF 6). That is, according to Hastings, the automatic return and shipping instructions are tied to MAX OUT or MAX TURNS rules which control the output of titles to the customer (FF 4, 6). This is similar to Appellant's Subscriber Delivery Queue which is described as controlled by a Subscriber Delivery Queue Module 723 which controls and updates subscriber delivery queues also in response to, *inter alia, automatic return and shipping instructions* issued by Media Processing Module 722 (FF 3).

Thus, in the MAX TURNS mode, we read the automated determination as to whether the "Max Turns" limit has been met for the current cycle (FF 6) to be monitoring because the number of titles that have been mailed out is monitored. Further, this monitoring process results in a determination of whether further additional playable media should be mailed, e.g. added to the subscriber delivery queue for mailing when the current "Max Turns" limit is overridden to allow additional movies to be mailed to customer (FF 6). Moreover, in the case where the provider automatically selects the title for the customer and mails same to him/her (FF 5), another title is selected and added to the MAX TURNS queue over the set quota. In so doing, the MAX TURNS mode insures that for a given cycle, and for however many number of overrides occur, at least one playable media can be delivered to a subscriber. In light of the breadth of claim 1, the Appellant's argument is not persuasive as to error in the rejection.

Appellant does not argue the separate patentability of dependent claims 2, 3, 5, 6, 7, 8, 20, 21,23, 24, 25, 26, 27, 28, 29, 20, 31,32, 33 and 34 (Appeal Br. 12) which depend on claim 1. These claims fall with claim 1. *See,* 37 C.F.R. § 41.37(c)(1)(vii)(2004).

Claim 35:

Appellant argues that Hastings has no mention of

> examining other items in the selection queue as part of a monitoring process, or even for determining what titles to send to a subscriber. The

> only criteria noted by Hastings are parameters for movies given by the subscriber, which are never then associated with other titles within the subscriber's queue. This limitation is also not taught or suggested in the prior art, and is yet another reason why this claim should be allowed. (Appeal Br. 11)

The Examiner found that because Hastings discloses selection criteria specifying preferences by a customer so as to automatically select particular titles that satisfy the movie selection criteria, Hastings thus must examine titles to be sure that they meet the selection criteria. (FF 7) In light of the breadth of the claim, Appellant's argument is not persuasive as to error in the rejection because the claim is broad enough to be covered by Hasting's auto select mode.

Claim 4:

Claim 4 recites: *wherein said additional playable media item is automatically inserted in a subscriber-defined delivery order position in said new ordered list of one or more playable media items.*

Appellant argues that:

> Ostrom is not referring to an additional playable media item; it is referring to re-arranging a preexisting item in the subscriber's queue, or letting the subscriber add something manually. Thus, it does not teach permitting the subscriber to define the automatic insertion point of a new item. (Appeal Br. 12)

However, the claims only require the new ordered list be one in number playable media item. Thus, the question of order becomes moot when the claim is read as having only one media in the list. In light of the

breadth of the claim, the Appellant's argument is not persuasive as to error in the rejection.

Claim 9:

Claim 9 recites: *sending a notification to the subscriber after step (c) when said queue replenishment control rules determine that said subscriber delivery queue should be modified.*

Appellant argues that "Applicant finds no mention in Postelnik of notices for a subscriber delivery queue…." (Appeal Br. 12.) That argument is not well taken because the Appellant is attacking the reference individually when the rejection is based on a combination of references and Hastings discloses the subscriber delivery queue and Postelnik teaches the general concept of sending a notification back to a user as to a change in the status of an order (FF 8). This is not disputed. *See In re Keller*, 642 F.2d 413, 426 (CCPA 1981); *In re Young*, 403 F.2d 754, 757-58 (CCPA 1968).

Appellant does not argue the separate patentability of claims 10 and 11which depend on claim 9. These claims fall with claim 9. *See,* 37 C.F.R. § 41.37(c)(1)(vii)(2004).

Claims 12, 13, 14, 16

The Examiner found for each of these claims that the prior art discloses the feature not found in Hastings (FF 9-13). But, Appellant argues against these rejections citing the shortcomings of Hastings. These arguments are not well taken because the Appellant is attacking the reference individually when the rejection of these claims is based on a combination of references, and a reference other that Hastings is used to

teach the alleged shortcoming. *See In re Keller*, 642 F.2d 413, 426 (CCPA 1981); *In re Young*, 403 F.2d 754, 757-58 (CCPA 1968). We note however with respect to claim 16, that Kamel is cumulative given that Hastings discloses a queue of titles which remain un-mailed in queue until cleared by the MAX TURNS or MAXOUT rules (FF 6).

We note that the Examiner's reasoning behind the rejection of claim 15 is based on Hastings alone. In so doing, the Examiner found that Hastings teaches a trigger event (FF 12) which Appellant does not challenge.

Also, with respect to claims 12, 14, 15, and 16, Appellant further argues that "... there was no incentive or suggestion to include such in systems which practice the present claims." (Appeal Br. 13) To the extent Appellant seeks an explicit suggestion or motivation in the reference itself, this is no longer the law in view of the Supreme Court's recent holding in *KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 1741 (2007). Since the Examiner has provided some articulated reasoning with some rational underpinning for why a person with ordinary skill in the art would modify Hastings as proposed (FF 9-13), Appellant's argument is not persuasive as to error in the rejection. Thus, we do not find error in the rejections of claims 12-16.

Claims 17, 18, and 19

Appellant argues that Hastings does not automatically add titles to the subscriber's queue. We disagree for reasons set forth above related to FF 5.

Appellant further argues that "Hastings says nothing about bumping a

recommended title to the top of the queue, as set out in claim 18. However, claim 18 recites *wherein said recommended playable media item is designated as the next to be delivered from said subscriber delivery queue.* Thus, the Appellant's arguments "fail from the outset because . . . they are not based on limitations appearing in the claims . . .," and are not commensurate with the broader scope of claim 1 which states nothing about bumping a title. *In re Self*, 671 F.2d 1344, 1348 (CCPA 1982). Even still, in the case of an empty Queue, the next recommended title in Hastings would be the next delivered (FF 6). In light of the breadth of the claim, the Appellants' argument is not persuasive as to error in the rejection.

Claim 36

We also affirm the rejection of dependent claim 36 since Appellant has not challenged such with any reasonable specificity (see In re Nielson, 816 F.2d 1567, 1572 (Fed. Cir. 1987)).

CONCLUSIONS OF LAW

We conclude the Appellant has not shown that the Examiner erred in rejecting appealed claims 1-36 under 35 U.S.C. § 103(a) as unpatentable over the applied prior art of record.

DECISION

The decision of the Examiner to reject claims 1-36 is affirmed.

No time period for taking any subsequent action in connection with this appeal may be extended under 37 C.F.R. § 1.136(a). *See* 37 C.F.R. § 1.136(a)(1)(iv) (2007).

AFFIRMED

vsh

J. NICHOLAS GROSS, ATTORNEY
2030 ADDISON ST.
SUITE 610
BERKELEY CA 94704

UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
11/369,660	03/06/2006	John N. Gross	JNG 2004-21C	8886

23694 7590 04/09/2010

Law Office of J. Nicholas Gross, Prof. Corp.
2030 ADDISON ST.
SUITE 610
BERKELEY, CA 94704

EXAMINER
ELISCA, PIERRE E

ART UNIT	PAPER NUMBER
3714	

NOTIFICATION DATE	DELIVERY MODE
04/09/2010	ELECTRONIC

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Notice of the Office communication was sent electronically on above-indicated "Notification Date" to the following e-mail address(es):

jngross@pacbell.net
anthonygreek@gmail.com

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE BOARD OF PATENT APPEALS
AND INTERFERENCES

Ex parte JOHN N. GROSS

Appeal 2009-005795
Application 11/369,660
Technology Center 3600

Decided: April 7, 2010

Before HUBERT C. LORIN, ANTON W. FETTING, and
JOSEPH A. FISCHETTI, *Administrative Patent Judges*.

LORIN, *Administrative Patent Judge*.

DECISION ON APPEAL

STATEMENT OF THE CASE

John N. Gross (Appellant) seeks our review under 35 U.S.C. § 134 (2002) of the final rejection of claims 1-20. We have jurisdiction under 35 U.S.C. § 6(b) (2002).

SUMMARY OF DECISION

We AFFIRM-IN-PART and enter a new ground of rejection pursuant to 37 C.F.R. 41.50(b). [1]

THE INVENTION

The invention is a method of delivering rented media to a subscriber not only based on returned/received status of other rented media in the customer's possession. Specification 3:8-9. In one embodiment, the delivery is also based on the lapse of a predetermined time. Specification 3:24-31. In another embodiment, the delivery is also based on the occurrence of an overcapacity triggering event, including demand associated for the media item. Specification 4:4-16. In a final embodiment, the delivery is also based on a selection of the media by the subscriber after consultation by email. Specification 4:27-30.

Claim 1, reproduced below, is illustrative of the subject matter on appeal.

---

[1] Our decision will make reference to the Appellant's Appeal Brief ("App. Br.," filed Apr. 16, 2008) and Reply Brief ("Reply Br.," filed Sep. 9, 2008), and the Examiner's Answer ("Answer," mailed Jul. 9, 2008).

1. A method of delivering machine readable media to subscribers of a media rental service comprising the steps of:

(a) providing a maximum number of machine readable media items (Nmax) which the subscribers can have out at any moment in time from the media rental service;

(b) identifying if a first subscriber has capacity available for delivery of a first machine readable media item requested by such first subscriber;

(c) selectively imposing a first delay on delivery of said first machine readable media item to the first subscriber even when said first subscriber has not reached
Nmax;

said first machine readable media item being a title which is subject to profit sharing between the media rental service and a third party based on a distribution of such title to said first subscriber.

THE REJECTION

The Examiner relies upon the following as evidence of unpatentability:

Hastings	US 6,584,450 B1	Jun. 24, 2003
Matsushima	US 2002/0138429 A1	Sep. 26, 2002

The following rejection is before us for review:

1. Claims 1-20 are rejected under 35 U.S.C. §103(a) as being unpatentable over Hastings and Matsushima.

ISSUES

The first issue is whether claim 2-7 are unpatentable under 35 U.S.C. § 103(a) over Hastings and Matsushima. Specifically, the major issue is whether: 1) the combination of Hastings and Matsushima teaches a step of

"selectively imposing a first delay on delivery of said first machine readable media item to the first subscriber even when said first subscriber has not reach Nmax" and 2) whether claim 1 requires a step of qualifying a delivery of a media item based on its status as a profit sharing item.

The third issue is whether claims 8-14 are unpatentable under 35 U.S.C. § 103(a) over Hastings and Matsushima. Specifically, the major issue is whether the combination of Hastings and Matsushima teaches step a) evaluating a demand characteristic with a computing system for a first machine readable media item requested by a first subscriber and "wherein an amount of said delay is based on a usage behavior of said first subscriber, such that an amount of delay imposed varies in accordance with said first subscriber's allotment of titles provided during a predetermined period."

The second issue is whether claims 15-20 are unpatentable under 35 U.S.C. § 103(a) over Hastings and Matsushima. Specifically, the major issue is whether the combination of Hastings and Matsushima teaches step (d) selectively imposing a delay on delivery of said first media item to the first subscriber based on the results of steps (b), (c) and (c'), where (c') is a step of identifying if said first subscriber has capacity available for delivery of said first machine readable media item based on Nmax for such first subscriber.

FINDINGS OF FACT

We find that the following enumerated findings of fact (FF) are supported by at least a preponderance of the evidence. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1427 (Fed. Cir. 1988) (explaining the general evidentiary standard for proceedings before the Office).

The scope and content of the prior art

Hastings

1. Hastings describes a method for renting items to a customer on a subscription basis. Col. 1, ll. 49-50.
2. Hasting describes a "MAX TURNS" approach and a "MAX OUT" approach, which may be used together. Col. 4, ll. 40-42.
3. Hastings states: "In this situation, up to a specified number of total items are simultaneously rented to customer 102 and up to a specified number of item exchanges may be made during a specified period of time." Col. 6, ll. 47-50.
4. Figure 6 is reproduced below.

FIG. 6

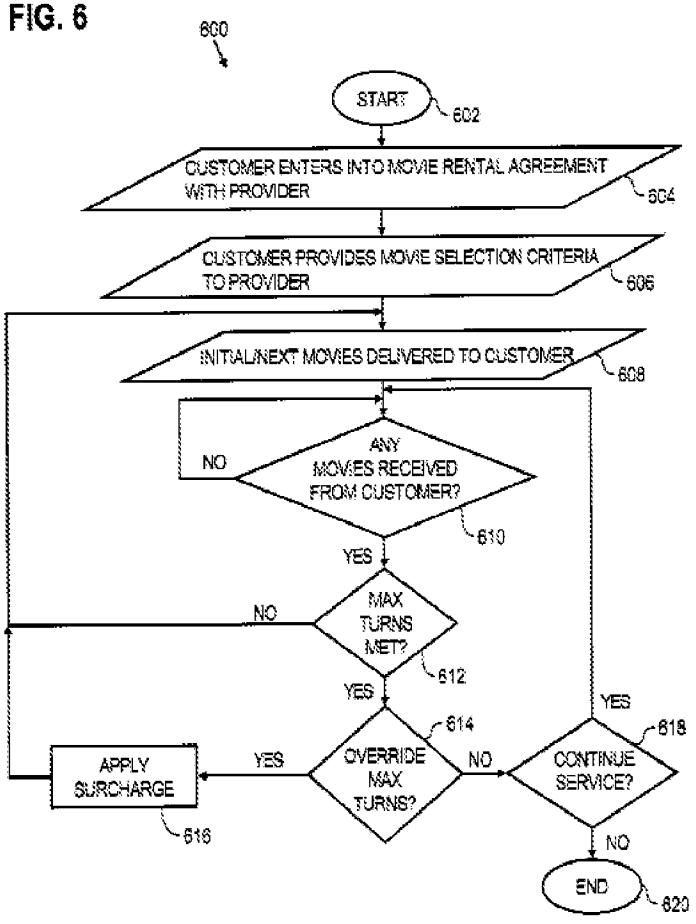


Figure 6 illustrates a method using both the "MAX OUT" and "MAX TURNS" approach.

5. Hastings states: "If, in step 610, a determination is made that one or more movies 512 were received from customer 502, then in step 612, a determination is made whether the maximum number of turns ("Max Turns") limit has been reaches for the current cycle. . . . If not, then control returns to step 608, where one or more additional movies 512 are mailed to customer 502 via delivery channel 514 up to the "Max Out" limit of four." Col. 10, ll. 43-51.

6. Hasting states:

> If, in step 612, a determination is made that the "Max Turns" limit has been met for the current cycle, i.e., in the present example, four movies 512 have been mailed to customer 502 in the current month, then in step 614 a determination is made whether to override the current "Max Turns" limit. If so, then in step 616, a surcharge is applied to customer 502 and control returns to step 608 where the additional movies 514 are mailed to customer 502. If not, then in step 618, a determination is made whether to continue subscription service. If so, then no additional movies are mailed to customer 502 during the current cycle, e.g., the current month, and the control returns to step 610.

Col. 10, ll. 52-63.

7. Hasting also states:

> If in step 410, a determination is made that the current agreement is not to be overridden, then in step 414, no items are delivered to customer 102 until the next subscription period. For example, the request for additional items may be received at the end of a subscription period and instead of renting the additional

> items immediately, they are instead delivered during the subsequent subscription period.

Col. 7, l. 64 – col. 8, l. 3.

8. Hastings describes the customer setting selection criteria which specify a customer's order queue that is fulfilled by the provider. *See* col. 4, ll. 54-67 and col. 4, ll. 64-66.

9. Hastings describes that the selection criteria can include item titles or other item attributes. *See* col. 4, ll. 54-67 and col. 8, ll. 43-65.

10. Hastings describes delivery criteria can be used to trigger item delivery. Col. 5, ll. 2-8.

11. Hastings describes the delivery criteria including customer requests, as well as, items being returned by the customer and the occurrence of specific date. Col. 5, ll. 8-14.

12. Hasting in column 1, lines 12-19, describes that conventional rental models require a customer to go to a video rental store to rent movies and that new release movies are generally due back the next day.

Matsushima

13. Matsushima describes a content distribution system. Matsushima [0001].

14. Matsushima teaches for some content independent artists and major record companies share profit when distributing the content. Matsushima [0086].

Any differences between the claimed subject matter and the prior art

15. Hastings does not describe that the item is a title which is subject to profit sharing between the media rental service and a third party based on a distribution of such title to said first subscriber.

16. Hastings does not teaches that the amount of delay imposed on the delivery of the first machine readable media items varies in accordance with the first subscriber's allotment of titles provided during a predetermined period.

The level of skill in the art

17. Neither the Examiner nor the Appellant has addressed the level of ordinary skill in the pertinent art of electronic commerce. We will therefore consider the cited prior art as representative of the level of ordinary skill in the art. *See Okajima v. Bourdeau,* 261 F.3d 1350, 1355 (Fed. Cir. 2001) ("[T]he absence of specific findings on the level of skill in the art does not give rise to reversible error 'where the prior art itself reflects an appropriate level and a need for testimony is not shown'") (Quoting *Litton Indus. Prods., Inc. v. Solid State Sys. Corp.*, 755 F.2d 158, 163 (Fed. Cir. 1985)).

Secondary considerations

18. There is no evidence on record of secondary considerations of non-obviousness for our consideration.

PRINCIPLES OF LAW

Obviousness

> Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

KSR Int'l Co. v. Teleflex Inc., 550 U.S. 398, 406 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, and (3) the level of skill in the art. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966). *See also KSR*, 550 U.S. at 407 ("While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.") The Court in *Graham* further noted that evidence of secondary considerations "might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented." *Graham,* 383 U.S. at 17-18.

ANALYSIS

The rejection of claims 1-20 under §103(a) as being unpatentable over Hasting and Matsushima.

Claim 1

The Appellant argues that the combination of Hasting and Matsushima does not teach: 1) selectively imposing a first delay on delivery of said first machine readable media item to the first subscriber even when

said first subscriber has not reached Nmax (App. Br. 8) and 2) "qualifying a delivery of a media item based on its status as a profit sharing item as set out in claim 1" (App. Br. 8, emphasis original).

First, in the Answer, the Examiner points to column 1, lines 12-29 of Hastings, which describes that new release movies are generally due back the next day, to teach the limitation of imposing a delay on delivery. Answer 6. The Examiner states: "Therefore, the new release movie is readable as a first delay process even the subscriber has not reached their maximum number of movies or Nmax. Since new release movies have different time expiration than regular fixed rental periods." Sic. Answer 6.

In the Reply Brief, the Appellant responds that column 1, lines 12-29 is a discussion in Hastings of the deficiencies of the prior art and not part of the Hastings system. Reply Br. 2.

Second, the Examiner states that Matsushima was applied to teach that media items are subject to profit sharing as claimed. Answer 6-7.

We find that the Appellant has not overcome the rejection of claim 1 as unpatentable over Hastings and Matsushima. However, since our reasoning below differs from that of the Examiner, we designate our decision as a new ground of rejection.

Regarding the Appellant's first argument, we find that Hastings teaches a step of "selectively imposing a first delay on delivery of said first machine readable media item to the first subscriber even when said first subscriber has not reach Nmax." Hastings teaches that the "Max Out" approach may be used in combination with the "Max Turns" approach and depicts, in Figure 6. FF 2. Hastings states, "In this situation, up to a specified number of total items [max out] are simultaneously rented to

customer 102 and up to a specified number of item exchanges [max turns] may be made during a specified period of time." FF 3. When a customer returns an item so that they have less then their maximum number of allowed items (max out), Hasting determines if the max turns limit has been met for the time period. FF 5. If it has and it is determined that the "max turns" limit cannot be overridden, then items are not sent to the customer until the next subscription period. FF 6.

We find that this description teaches selectively imposing a first delay on delivery of the first machine readable medium to the first subscriber even when said first subscriber has not reach Nmax. Therefore, we find that Hastings does teach the step (c) at issue.

Regarding the Appellant's second argument, we find that claim 1 does not require "qualifying a delivery of a media item based on its status as a profit sharing item." Step (c) of clam 1 requires selectively imposing a delay on delivery, but does not require that the delay be selectively imposed based on a media items status of as a profit sharing item. Claim 1 also recites that the medium item is a title which is subject to a profit sharing but does not link the status of the medium item to the imposed delay. Claim 1 merely describes the medium item as being subject to profit sharing. Therefore, the Appellant's second argument is directed to a limitation not recited in the claim. "Many of appellant's arguments fail from the outset because, . . . they are not based on limitations appearing in the claims . . . ." *In re Self*, 671 F.2d 1344, 1348 (CCPA 1982).

Accordingly, we sustain the rejection of claim 1 under 35 U.S.C. §103(a) as unpatentable over Hastings and Matsushima. However, since our

reasoning differs from that of the Examiner, we designate our decision as a new ground of rejection.

Claims 2-7

The Appellant argues that the Examiner did not cite to any evidence when rejecting claims 2, 3, and 5-7. Answer 9. In the Answer, the Examiner points to column 1, lines 12-29 of Hastings to teach the limitations of these claims. Answer 7-8. In addition, the Examiner points to column 6, lines 1-12 and column 6, lines 14-29 to teach the limitations of claims 5-7. Answer 8.

In the Reply Brief, the Appellant again responds that column 1, lines 12-29 is a discussion in Hastings of the deficiencies of the prior art and not part of the Hastings system and that Hastings does not mention the limitations of claims 5-7. Reply Br. 2-3.

We find that the Appellant has not overcome the rejection of claims 2, 4, 5, and 7 but has overcome the rejection of claims 3 and 6 as unpatentable over Hastings and Matsushima. However, since our reasoning below, with regards to claims 2, 5, and 7, differs from that of the Examiner's, we designate our decision as a new ground of rejection.

Regarding claim 2, claim 2 recites "wherein said first delay is only imposed for a group of subscribers determined by the computing system." We agree with the Appellant that Hastings column 1, lines 12-29 is discussing a deficiency of the prior art. FF 12. Further, the Examiner has not supplied any explanation of how a description of requiring a customer to return a new release movie the day after renting teaches the step of imposing a delay in delivering a movie. *See* Answer 7.

However, as discussed above, we find that Hastings imposes the delay for the group of subscribers for which the max turns limit cannot be overridden. FF 6-7. Therefore, we find that Hastings teaches the limitation of claim 2. We find that the Appellant has not overcome the rejection of claims 2, and we sustain the rejection of claims 2.

Regarding claim 3, claim 3 recites "wherein said first delay is imposed for a group of machine readable media items which are high demand items determined by the computing system." The Examiner has not supplied any explanation of how a description of requiring a customer to return a new release movie the day after renting, in column 1, lines 12-29 of Hastings, teaches the step of imposing a delay in delivering a movie. *See* Answer 7. We find that the Appellant has overcome the rejection of claim 3, and we reverse the rejections of claim 3.

Regarding claim 4, the Appellant makes no argument directed to claim 4. *See* Answer 9. Accordingly, we shall sustain the rejection of claim 4 under 35 U.S.C. §103(a) as unpatentable over Hastings and Matsushima.

Regarding claim 5, claim 5 recites "a step: (d) measuring a number of titles out for said subscriber relative to Nmax over a predetermined period." Hastings teaches that a "determination is made that the "Max Turns" limit has been met for the current cycle, i.e., in the present example, four movies 512 have been mailed to customer 502 in the current month." FF 6. Therefore, we find that Hastings teaches step (d) of claim 5. We find that the Appellant has not overcome the rejection of claim 5, and we sustain the rejection of claim 5.

Regarding claim 6, claim 6 recites "further including a step (e): adjusting said first delay based on results of step (d)." We fail to see how

the passages cited by the Examiner, teaches the limitation of claim 6. Further, the Examiner has not supplied any explanation of how these passages teach the l description of requiring a customer to return a new release movie the day after renting teaches the step of imposing a delay in delivering a movie. *See* Answer 8. We find that the Appellant has overcome the rejection of claim 6, and we reverse the rejection of claim 6.

Regarding claim 7, claim 7 recites "further including a step (d) preemptively delivering a title to the first subscriber before it is requested." Hastings describes that delivery of an item can occur upon delivery criteria being satisfied. FF 10. The delivery criteria can include items being returned by the customer and the occurrence of specific date. FF 11. The delivery of items using these criteria instead of a customer request would preemptively deliver can preemptively deliver an item to a subscriber before it is requested. Therefore, we find that Hastings teaches step (d) of claim 7. We find that the Appellant has not overcome the rejection of claim 7, and we sustain the rejection of claim 7.

To summarize, we find that the Appellant has not overcome the rejections of claims 2, 4, 5, and 7 and we sustain the rejections of claims 2, 4, 5, and 7. However, since our reasoning differs from that of the Examiner with regards to claim 2 and 5 (*Cf.* Answer 3-4 and 6-7), we designate our decision as a new ground of rejection. We find that the Appellant has overcome the rejections of claims 3 and 6 and we reverse the rejections of claims 3 and 6.

Claims 8-14

Independent claim 8 recites a method, which includes step "a) evaluating a demand characteristic with a computing system for a first machine readable media item requested by a first subscriber" and recites "wherein an amount of said delay is based on a usage behavior of said first subscriber, such that an amount of delay imposed varies in accordance with said first subscriber's allotment of titles provided during a predetermined period."

The Appellant argues that the Examiner failed to provide any evidence of where these limitations are found in the cited prior art. App. Br. 9-10. In the Answer, the Examiner cites column 3, lines 7-20 of Hastings and states: "Therefore, the rental mechanism of Hastings is capable of evaluating [configuring if criteria being satisfied] demand with a computing system by a first subscriber)." Answer 3. The Appellant responds that the claimed step (a) "is clearly not the same as merely identifying that a title was given to a subscriber." Reply Br. 3.

We note that the Examiner does not provide any explanation as to how Hastings teaches that an amount of delay imposed varies in accordance with said first subscriber's allotment of titles provided during a predetermined period as required by claim 8. We find that Hastings does not teaches that the amount of delay imposed on the delivery of the first machine readable media items varies in accordance with the first subscriber's allotment of titles provided during a predetermined period. FF 16. Further, the Examiner does not rely upon Matsushima to teach this limitation nor does the Examiner cite any knowledge with the art to teach the limitation. *See* Answer 3-6. Accordingly, we find that the Appellant has overcome the

rejection of claim 8, and we reverse the rejection of claim 8, and claims 9-14, dependent thereon, under 35 U.S.C. §103(a) as unpatentable over Hastings and Matsushima

Claims 15-20

Independent claim 15 recites a method which includes: step (c) measuring media usage behavior of said first subscriber; step (c') using a recommender to predict a second machine readable item likely to be preferred by the first subscriber; and step (d) selectively imposing a delay on delivery of said first machine readable media item to the first subscriber based on the results of steps (b), (c) and (c').

The Appellant argues that the "there is simply no evidence to sustain the present rejection" and that the Examiner has not provided any explanation as to how the cited references teach the limitations above. Br. 10-11. The Examiner does not respond to the Appellant's argument. *See* Answer 6-10. In the rejection when addressing claims 15-20, the Examiner cites to the abstract; column 7, lines 39-42, column 1, lines 56-57, column 2, lines 1-12, and column 6, lines 14-29 of Hastings to teach most of the limitations of claim 15. Answer 5.

We find that Hastings does not teach step (d), where the selectively imposing a delay on delivery is based on step (c') along with steps (b) and (c). While Hastings does teach that delivery can be delayed if the number of exchanges per the time period exceeds the maximum number of exchanges in the time period (FF 5-6) and does describe determining an item which a user is likely to prefer (FF 8-9), Hastings does not teach that the delay is

selectively imposed based on the result of determining a second item which the user is likely to prefer along with steps (b) and (c).

Further, the Examiner does not rely upon Matsushima to teach this limitation nor does the Examiner cite any knowledge with the art to teach the limitation. *See* Answer 6. Accordingly, we find that the Appellant has overcome the Examiner's rejection of claim 15, and claims 16-20, dependent thereon, under 35 U.S.C. § 103(a) as unpatentable over Hastings and Matsushima.

NEW GROUND OF REJECTION

Pursuant to 37 C.F.R. 41.50(b), we enter a new grounds of rejection on claims 1-20 under 35 U.S.C. § 101.

We reject claims 1-20 under 35 U.S.C. § 101 as being drawn to nonpatentable subject matter. Taking claim 1 as representative, claim 1 recites a method of delivering machine readable media to subscribers of a media rental service. The method includes steps (a)-(c). Claim 1 recites steps and is thus nominally drawn to a process. However,

> [T]he proper inquiry under § 101 is not whether the process claim recites sufficient "physical steps," but rather whether the claim meets the machine-or-transformation test. As a result, even a claim that recites "physical steps" but neither recites a particular machine or apparatus, nor transforms any article into a different state or thing, is not drawn to patent-eligible subject matter. Conversely, a claim that purportedly lacks any "physical steps" but is still tied to a machine or achieves an eligible transformation passes muster under § 101.

In re Bilski, 545 F.3d 943, 961 (Fed. Cir. 2008) (en banc).

Here, claim 1 is not tied to a particular machine or apparatus nor does it transform a particular article into a different state or thing. Claim 1 recites nothing that would transform a particular article into a different state or thing. Further, claim 1 is not tied to a particular machine or apparatus. We note that claim 1 does recite a "machine readable media." However, the machine readable media is not a machine or apparatus.

> The Supreme Court has defined the term "machine" as "a concrete thing, consisting of parts, or of certain devices and combination of devices." *Burr v. Duryee,* 68 U.S. (1 Wall.) 531, 570 (1863). This "includes every mechanical device or combination of mechanical powers and devices to perform some function and product a certain effect or result." *Corning v. Burden,* 56 U.S. 252, 267, 15 How. 252, 14 .Ed. 683 (1853).

In re Nuijiten, 500 F.3d 1346, 1355 (Fed. Cir. 2007). Further, the Specification states "the term media item or playable media item is intended to have its broadest meaning to include any machine readable media readable (including *software programs*) by a subscriber machine . . ." Specification 6:10-16 (emphasis added).

Therefore, we reject claims 1-20 under 35 U.S.C. § 101 as being drawn to nonpatentable subject matter.

CONCLUSIONS OF LAW

We conclude that the Appellant has not overcome the rejection of claims 1, 2, 4, 5, and 7 under 35 U.S.C. § 103(a) as being unpatentable over Hastings and Matsushima. We designate our decision as to claims 1, 2, 4, 5, and 7 as a new ground of rejection.

We conclude that the Appellant has overcome the rejection of claims 3, 6, and 8-20 under 35 U.S.C. § 103(a) as being unpatentable over Hastings and Matsushima.

We enter a new ground of rejection under 35 U.S.C. § 101 over claims 1-20.

DECISION

The decision of the Examiner to reject claims 1, 2, 4, 5, and 7 is affirmed and we designate our decision as a new ground of rejection.

The decision of the Examiner to reject claims 3, 6, and 8-20 under 35 U.S.C. § 103(a) is reversed.

We also add a new ground of rejection to claims 1-20 under 35 U.S.C. § 101.

This decision contains a new ground of rejection pursuant to 37 C.F.R. § 41.50(b) (effective September 13, 2004, 69 Fed. Reg. 49960 (August 12, 2004), 1286 Off. Gaz. Pat. Office 21 (September 7, 2004)). 37 C.F.R. § 41.50(b) provides "[a] new ground of rejection pursuant to this paragraph shall not be considered final for judicial review."

37 C.F.R. § 41.50(b) also provides that the Appellant, WITHIN TWO MONTHS FROM THE DATE OF THE DECISION, must exercise one of the following two options with respect to the new ground of rejection to avoid termination of the appeal as to the rejected claims:

> • (1) Reopen prosecution. Submit an appropriate amendment of the claims so rejected or new evidence relating to the claims so rejected, or both, and have the matter reconsidered by the examiner, in which event the proceeding will be remanded to the examiner . . . .
>
> • (2) Request rehearing. Request that the proceeding be reheard under § 41.52 by the Board upon the same record . . . .

AFFIRMED-IN-PART; 37 C.F.R. § 41.50(b)

mev

LAW OFFICE OF J. NICHOLAS GROSS, PROF. CORP.
2030 ADDISON ST.,SUITE 610
BERKELEY CA 94704

EXHIBIT 1

Acid Rain Program

From Wikipedia, the free encyclopedia

The **Acid Rain Program** is a market-based initiative taken by the United States Environmental Protection Agency in an effort to reduce overall atmospheric levels of sulfur dioxide and nitrogen oxides, which cause acid rain.[1] The program is an implementation of emissions trading that primarily targets coal-burning power plants, allowing them to buy and sell emission permits (called "allowances") according to individual needs and costs.

Contents

History

Title IV of the 1990 Clean Air Act established the allowance market system known today as the Acid Rain Program. Initially targeting only sulfur dioxide, Title IV set a decreasing cap on total SO_2 emissions for each of the following several years, aiming to reduce overall emissions to 50% of 1980 levels. The program did not begin immediately, but was implemented in two stages: Phase I (starting January 1, 1995) and Phase II (starting January 1, 2000).[2]

The Clean Air Act Amendments of 1990 set as its primary goal the reduction of annual SO_2 emissions by 10 million tons below 1980 levels of about 18.9 million tons. To achieve these reductions by 2000, when a nationwide sulfur dioxide emissions cap of 8.95 million tons per year began, the law required a two phase tightening of operating restrictions placed on fossil fuel fired (e.g., coal, oil, natural gas) power plants. The operation and pricing of a market for emissions allowances would not be viable in the absence of an effective regulatory cap on the total number of allowances available.

Scope of Phase I requirements

In Phase I, half the total reductions were required by January 1, 1995, largely by requiring 110 electric power generating plants (261 units in 21 states) to cut sulfur dioxide emission rates to 2.5 lbs/million British thermal units (mmBtu). Each of these generating units was identified by name and location, and a quantity of emissions allowances were specified in the statute in tons of allowable SO_2 emissions per year.[3]

For comparison, new generating units built since 1978 were required to limit sulfur dioxide to a "lowest achievable

emissions rate" of about 0.6 lbs/mmBtu. Coal with 1.25% sulfur and 10,000 Btu/lb produces sulfur dioxide emissions of 2.5 lbs/mmBtu, with lower emissions produced by either lower sulfur content or higher Btu content.[4]

As an incentive for reducing emissions, for each ton of sulfur dioxide reduced below the applicable emissions limit, owners of a generating unit received an emissions allowance they could use at another unit, keep for future use, or sell. This legitimized a market for sulfur dioxide emissions allowances, administered by the Chicago Board of Trade.[5] Units that installed flue gas desulfurization equipment (e.g., scrubbers) or other "qualifying Phase I technology" which reduced sulfur dioxide emissions by 90%, qualified for a two-year extension of the 1995 deadline, provided they owned allowances to cover their total actual emissions for each year of the extension period.

Scope of Phase II requirements

In Phase II, all fossil-fired units over 75 MWe were required to limit emissions of sulfur dioxide to 1.2 lbs/mmBtu by January 1, 2000. Thereafter, they were required to obtain an emissions allowance for each ton of sulfur dioxide emitted, subject to a mandatory fine of $2,000.00 for each ton emitted in excess of allowances held. The U.S. Environmental Protection Agency (EPA) distributes allowances equivalent to 8.95 million tons each year (the emissions cap), based on calculations of historical Btu usage for each unit, and may allocate various small "bonus reserves" of allowances.

Nitrogen oxide reduction

The 1990 Amendments also required reductions in nitrogen oxide (NO_x) emissions at Phase I units. The key factors in NO_x formation are flame temperature and oxygen levels present for combustion.[6] Installation of low-NO_x burner retrofits are the most common means of compliance, generally reducing emissions from uncontrolled levels by up to 50%.[7] Many utilities complied with requirements by installing stack-gas scrubbers and low-NO_x burners at the same time. Low-NO_x burner technology was readily available, and considerably less expensive than installation of scrubbers,[8] so control of NO_x was considered less demanding by most electric utilities.

Compliance strategies

The innovative, market based SO_2 allowance trading component of the Acid Rain Program allowed utilities to adopt the most cost effective strategy to reduce SO_2 emissions. Every Acid Rain Program operating permit outlines specific requirements and compliance options chosen by each source. Affected utilities also were required to install systems that continuously monitor emissions of SO_2, NO_x, and other related pollutants in order to track progress, ensure compliance, and provide credibility to the trading component of the program. Monitoring data is transmitted to EPA daily via telecommunications systems.

Strategies for compliance with air quality controls have been major components of electric utility planning and operations since the mid-1970s, affecting choice of fuels, technologies and locations for construction of new generating capacity.[9] Utility strategies for compliance with new sulfur dioxide standards included a mix of options with varying financial costs:[10]

- several existing and new stack-gas scrubbing and clean coal technologies;
- switching to all, or blending high-sulfur coal with, some low-sulfur coal;
- switching to all natural gas, or cofiring coal and natural gas;
- "trimming," or reducing annual hours of plant utilization;

- retiring old units;
- repowering existing units with new coal or non-coal boilers;
- purchasing or transferring emissions allowances from other units;
- increasing demand-side management and conservation; or
- bulk power purchases from other utilities or non-utility generators from units using coal or other fuels.

Some coal cleaning may occur in combination with other actions such as scrubbing, or blending coals with varying sulfur content, but utilities generally prefer that coal suppliers bear the costs of cleaning operations. Some observers estimated 20% - 30% of the sulfur can be removed through coal cleaning or blending, and 50% - 70% taken out with emissions control equipment.[7]

For Phase II compliance the options were numerous, but for Phase I they were constrained by the time available to implement a decision. Because it takes 3–5 years to design and build a scrubber at an existing coal-fired unit, and longer to repower or build a new facility (e.g., 6–11 years for coal, 10–14 years for nuclear units),[11] electric utility decision options for Phase I plants were limited to scrubbing, switching fuels, purchasing or transferring emissions allowances to allow continued use of high-sulfur coal, retiring units, or trimming unit utilization and substituting capacity from another source.

Delays in allocating "early scrub" bonus credits and scheduling of the first auction of emissions allowances in March 1993[12] effectively removed these incentives from actual compliance decision making of most electric utilities. Because of the time it takes to build air pollution control equipment, financial and contractual commitments to scrubbers had to be made by summer 1992 if plant modifications were to be operational in time to meet new standards in 1995. Thus, decisions had to be made before price and allocation of emissions allowances were known. Consequently, most scrubber projects to meet the 1995 deadline were well under way by fall of 1992.

Windfalls

Of the 261 units at 110 plant locations affected by Phase I emission limitations, five were oil-fired, five coal-fired units were retired, and one coal-fired unit was placed on cold standby status prior to passage of the legislation in 1990. The 6 inactive coal-fired units were statutory recipients of a total of 36,020 tons of Phase I sulfur dioxide emissions allowances.

This marketable windfall was estimated by the U.S. Department of Energy (DOE) in 1991 to be worth $665 to $736 per ton,[13] totaling $23.9 to $26.5 million. However, actual purchases of emissions allowances in 1992 were reported at a lower price than expected of $300 per ton.[14] Allowances auctioned in March 1993 sold for $122 to $450 per ton,[15] reducing the windfall from these allowances to $4.4 to $16.2 million. In the interim, owners of one unit retired in 1985, the 119 MWe Des Moines Energy Center, received $93 million in DOE funding for a Clean Coal Technology project to repower with a coal-fired 70 MWe pressurized fluidized-bed combustion unit,[4] bringing it back into production in 1996.

Location of generating units

Excluding those 11 units, 250 active coal-fired units at 105 plants in 21 states were subject to Phase I sulfur dioxide emissions reductions in 1995. States having the greatest number of generating units affected by the Phase I requirements were: Ohio (40), Indiana (37), Pennsylvania (21), Georgia (19), Tennessee (19), Kentucky (17), Illinois (17), Missouri (16) and West Virginia (14). Together, Phase I units represented 20% of the 1,250 operable coal-fired generating units in the U.S. in 1990.

These 250 units had a summer peak generating capability of 79,162 MWe in 1990, with a mean of 317 MWe/unit. This capacity represented about 27% of installed summer coal-fired capability, and about 11.5% of total U.S. installed summer generating capability in 1990.[16] About 207 million tons, almost 90% of the coal purchased by Phase I plants in 1990, produced sulfur dioxide emissions exceeding the 1995 emissions rate of 2.5 lbs/mm Btu using no pollution control equipment.[4]

Age matters

Age of the 250 Phase I coal units ranged from 17 to 46 years when the standards took effect, with a mean of 34 years. In 1995, 111 active Phase I units (23%) were 35 years of age or older, and only 8 (6%) were less than 20 years old. The average age of 35 coal-fired units retired during 1988-1991 was 44.6 years, with a range of 14–74 years.[17] These units ranged in size from 1-107 MWe summer capability. Several had been on standby (e.g., available for use during regularly scheduled outages of other units for maintenance) for many years prior to retirement. About half (often the older units) were designed to "cofire" with natural gas or fuel oil, and could be operated using these fuels instead of coal if desired.

Both the number and average age of coal-fired units retired increased substantially from 1988 to 1991, indicating utilities were removing very old units from available status that they no longer expected to use, thereby avoiding maintenance costs necessary to keep them on standby. For comparison, the 6 Phase I coal units retired before 1990 ranged in age from 21–35 years when taken out of service, with a mean of 31 years.[4]

Age of these units was significant for several reasons. All of the Phase I units were either built or under construction when the Clean Air Act of 1977 was enacted, and all but eight were built or under construction when the 1970 Act was enacted. Consequently, these units were built when labor costs were significantly less than in the 1990s, and they avoided major investments in pollution control equipment. In the 1990s, these units were often among the least expensive of any operated by their respective owners, in terms of cost per megawatt-hour of energy produced. Compared to other plants on a utility company system, these units provided incentives for their owners to maximize operating time, minimize downtime for repairs or retrofit, and minimize further capital investments in them.[4]

Because capital in such plants is typically amortized over 20–30 years, investments in most of them were fully recovered by 1995. Justifying large additional capital investments in plants which may have a remaining useful life of 10 years or less, absent reconstruction of boilers, is often difficult. Further, because large coal-fired generating units tend to reach peak operating and combustion efficiencies during the first three years of operation, declining incrementally thereafter throughout their lifetimes, these old plants were among the dirtiest sources of air pollution in the electric utility industry.[4] They were able to operate for many years without substantially reducing emissions, when other plants were required to install "best available" air pollution control equipment pursuant to the Clean Air Act Amendments of 1977.

Uncertainties

Uncertainties confronting electric utilities when planning compliance strategies were substantial. These included the future price and availability of fuels; the value of emissions allowances and operation of markets for them; the manner in which state public utility commissions and the Internal Revenue Service would allocate the costs of scrubbing or switching fuels and the value of emissions allowances; accounting guidelines, revisions to interstate bulk power sales contracts, and possible intervention by the Federal Energy Regulatory Commission in interstate transfers of emissions allowances by multi-state holding companies. Changes in the competitiveness of various generating and pollution control technologies; a myriad of new rule making actions required by the Clean Air Act; and the possibility of new legislation limiting emissions of carbon dioxide, imposing a tax on carbon emissions, or on

Btu usage were also of great concern.[18] A final rule easing some uncertainty on continuous emissions monitoring, permit requirements, and operation of the emissions allowance system was not issued until January 1993,[19] well after compliance strategies had to be developed and major investment decisions made.

In this context, utility executives were required to make investment decisions committing millions of dollars over extended periods. As summarized by one utility manager: "Major decisions must be made without adequate information or even the ability to obtain adequate information."[20] For example, after a protracted struggle involving the Ohio Public Utilities Commission, the Ohio Office of Consumer's Counsel, industrial customers, the Ohio Sierra Club, and the United Mine Workers at American Electric Power Company's affiliate Meigs high-sulfur coal mines, construction of scrubbers by AEP at its two-unit, 2,600 MWe Gavin plant in Ohio were expected to cost about $835 million, reducing sulfur dioxide emissions there by 95%.[21] In February 1993, AEP was still unsure whether it would be allowed by the Ohio Public Utilities Commission to transfer emissions credits from the Gavin scrub to Phase I units in other states.[22] Thus, substantial financial commitments had to be made on the basis of best judgments by utility planners and construction begun in the absence of definitive information or final regulatory approvals.

Innovations in coal supply contracts

The risks associated with such uncertainty stimulated innovation in contracts for purchase of coal by electric utilities. In a buyers market, utilities renegotiated old contracts and signed new ones with a variety of provisions designed to manage risks and increase flexibility for future decisions. For example, Ohio Edison signed "high/low" contracts at the end of 1991 with three coal suppliers. Under these agreements, the utility could elect to shift purchases from high-sulfur to low-sulfur coal produced by the same supplier. The supplier retained the option of continuing to ship high-sulfur coal in lieu of low-sulfur coal if it provided sufficient emissions allowances so this coal could be burned without penalty. In this event, the supplier paid for the allowances, and the utility paid the contract price for lower sulfur coal.[23]

Additional innovative contract terms under consideration would link price premiums and penalties paid for coal with different levels of sulfur content to changes in the market price of sulfur dioxide emissions allowances; trade emissions allowances to coal suppliers as partial payment for low-sulfur coal; or establish larger variances in quantity and prices for different qualities of coal in a single contract.[24] AMAX Energy purchased an undisclosed number of emissions allowances from Long Island Lighting Co., which it said it would offer in packages with its coal and natural gas contracts.[25] Thus, coal suppliers began participating along with electric utilities as buyers and sellers of marketable sulfur dioxide emissions allowances.

Market prices

The U.S. Department of Energy in 1991 estimated the installed retrofit cost per ton of SO_2 pollution control equipment (scrubbers) on existing units would be in the $665– $736/ton range. However, 2005 was the first year the price of an SO_2 allowance reached this level. In fall 2006, a few trades were registered at slightly over $1,600/ton. At those rates, it was less expensive to install scrubbers and reduce air pollution than to purchase SO_2 emissions allowances and continue polluting. Subsequently, the market price of SO_2 allowances decreased to around $88/ton in August 2009.

Participation by citizen groups

Citizens and groups can purchase sulfur dioxide emissions allowances alongside electric utilities and other producers of air pollution in annual auctions conducted by the U.S. Environmental Protection Agency (EPA) and on the Chicago Board of Trade.[26] Each year the U.S. EPA auctions off to the highest bidder about 250,000 pollution allowances that enable their owners to emit one ton of sulfur dioxide.

No national environmental group has ever bid in the annual EPA Auction, but a small number of local groups have participated for many years, apparently on the theory that reducing the supply of allowances may someday drive up the price of acquiring them. For example, one of the oldest of these groups is the Acid Rain Retirement Fund (A.R.R.F.), a non-profit, all-volunteer, community educational group. A.R.R.F. has raised money and bid alongside polluters since 1995 for as many allowances as their funds can buy. But instead of using or trading them, A.R.R.F. retires them permanently, taking allowances off the market and keeping sulfur dioxide out of the air.[27]

Along with allowances purchased in prior years, A.R.R.F. in 2009 owns the right to emit 264,000 pounds (132 tons) of sulfur dioxide per year, plus whatever amount it did not emit under allowances purchased in previous years. Because it did not exercise its right to emit any pollution during 1996–2008, "banking" its emissions allowances for the future, A.R.R.F. holds the legal right to emit a total of 2,082,000 pounds—or 1,041 tons—of sulfur dioxide in 2008.[28]

Examination of EPA Auction results 1993–2008 indicates groups or individuals like A.R.R.F. who purchased emissions allowances for purposes other than releasing air pollution now own the right to emit 1,163 tons per year.[28] Although most have purchased only one or a few tons, this adds up to considerably more than the 760 tons/year allocated by law to the Miami Fort #5 coal-fired generating unit in Ohio.[29]

Since many purchases were made in earlier years, and unused allowances have accumulated, these groups own the right to emit 14,040 tons of sulfur dioxide in 2009. That's more than the annual allocation of allowances to 124 of the 250 dirtiest generating units in the United States (some are allowed to emit almost 95,000 tons/year).[29]

Effectiveness

Overall, the Program's cap and trade program has been hailed as successful by the EPA, industry, economists and certain environmental groups such as the Environmental Defense Fund, while skeptical environmentalists have argued that reduction in emissions occurred due to broad trends unconnected to the program.[30] The EPA has used what is called the Integrated Planning Model (IPM) to estimate the effect of the Acid Rain Program (ARP). The output from the model says that annual emissions of sulfur dioxide were reduced by 8 million tons (from 17.3 to 9.3), nitrous oxide by 2.7 million tons (from 7.6 to 5), and mercury by 10 tons (from 52 to 42). However, it is difficult to estimate the emissions which would have occurred without the ARP. For example, the EPA updated its analysis to reflect the effect of low-sulfur coal becoming more economical due to reduced transportation, leading the EPA to reduce its estimate of the impact of ARP by sulfur dioxide emissions by one million tons.[31]

Since the 1990s, SO_2 emissions have dropped 40%, and according to the Pacific Research Institute, acid rain levels have dropped 65% since 1976.[32][33] However, although it reduced emissions by 40%, the US Acid Rain Program has not reduced SO2 emissions as much as the conventional regulation applied in the EU which reduced SO2 emissions by more than 70% [34]. Therefore, the effectiveness of the emissions trading element as a mechanism has been criticised, since the EPA also used regulations to achieve the reductions, as all areas of the country "had to meet national, health-based, air quality standards that are separate from the Acid Rain Program's requirements" [35].

In 2007, total SO_2 emissions were 8.9 million tons, achieving the program's long term goal ahead of the 2010 statutory deadline.[36] In 2008, SO2 emissions dropped even lower—to 7.6 million tons[37].

The EPA estimates that by 2010, the overall costs of complying with the program for businesses and consumers will be $1 billion to $2 billion a year, only one fourth of what was originally predicted.[32]

A general issue with cap and trade programs has been overallocation, whereby the cap is high enough that sources of emissions do not need to reduce their emissions. ARP had "early overallocation" during Phase I, and this allowed emission sources to "bank" their allowances for future years. In Phase II, emission sources drew down their banked allowances. In 2006, emissions were again below the cap, leading to further banking.[38]

See also

- Continuous emissions monitoring system

References

1. ^ "Acid Rain" (http://www.epa.gov/acidrain/) . United States Environmental Protection Agency. http://www.epa.gov/acidrain/. Retrieved 2008-11-20.
2. ^ "Reducing Acid Rain" (http://www.epa.gov/air/caa/peg/acidrain.html) , U.S. Environmental Protection Agency
3. ^ 42 *U.S. Code* 7651c.
4. ^ *a b c d e f* U.S. Department of the Interior, Office of Surface Mining Reclamation and Enforcement. (1993). *Impact of Acid Rain Controls on Surface Mining Reclamation and Enforcement: Programs and Workload.* Washington, D.C.: Office of Surface Mining Reclamation and Enforcement.
5. ^ Taylor, Jeffrey, and Rose Gutfeld. (1992). "CBOT Selected to Run Auction for Polluters," *Wall Street Journal*, September 25, 1992, p. C1.
6. ^ Bretz, Elizabeth A. (1991). "New Boiler Designs for Utility Service," *Electrical World*, May, pp. 44-49.
7. ^ *a b* Bretz, Elizabeth A. (1991). "Equipment Options for Meeting the New Clean-Air Laws," *Electrical World*, October, pp. 51-59.
8. ^ Smock, Robert. (1991). "Utilities Struggle with Acid Rain Control Compliance Decisions," *Power Engineering*. August, pp. 17-22.
9. ^ Hamilton, Michael S. (1980). *Regional Interconnections, The Western Systems Coordinating Council, Regional Reliability, Economy and Efficiency*. In N. Wengert and R.M. Lawrence, *Regional Factors in Siting and Planning Energy Facilities in the Eleven Western States. A Report to the Western Interstate Energy Board*. Fort Collins, CO: Colorado State University Experiment Station.
10. ^ Bretz, Elizabeth A. (1991). "New Boiler Designs for Utility Service," *Electrical World*, May, pp. 44-49; Bretz, Elizabeth A. (1991). "Equipment Options for Meeting the New Clean-Air Laws," *Electrical World*, October, pp. 51-59; Habiger, Kenneth, and Ronald Ott (1989). "Fluidized-Bed Combustion: Retrofit, New Plant Option," *Electrical World*, May, pp. 62-64; Platt, J.B. (1991). "Scrub Versus Trade: Enemies or Allies?" Presented to the EPRI-EPA-DOE Sulfur Dioxide Control Symposium, Washington, DC, December 3; U.S. Department of Energy, Energy Information Administration. (1991a). Annual Outlook for U.S. Electric Power 1991. Washington, DC: USGPO.
11. ^ Hamilton, Michael S., and Norman Wengert. (1980). *Environmental, Legal and Political Constraints on Power Plant Siting in the Southwestern United States. A Report to the Los Alamos Scientific Laboratory*. Fort Collins, CO: Colorado State University Experiment Station.
12. ^ *Coal Outlook*, February 4, 1991, p. 3; November 2, 1992, p. 5.
13. ^ U.S. Department of Energy, Energy Information Administration. (1991). *Annual Outlook for U.S. Electric Power 1991*. Washington, DC: USGPO.
14. ^ *Coal Voice*, Nov/Dec, 1992, p. 24.
15. ^ 58 *Federal Register* 27563-27567, May 10, 1993.

16. ^ Calculated from U.S. Department of Energy, Energy Information Administration. (1991). *Annual Outlook for U.S. Electric Power 1991*. Washington, DC: USGPO.
17. ^ Calculated from U.S. Department of Energy, Energy Information Administration. (1991). *Annual Outlook for U.S. Electric Power 1991*. Washington, DC: USGPO; U.S. Department of Energy, Energy Information Administration. 1992. *Inventory of Power Plants in the United States, 1991*. Washington, DC: USGPO.
18. ^ Platt, J.B. (1991). "Scrub Versus Trade: Enemies or Allies?" Presented to the EPRI-EPA-DOE Sulfur Dioxide Control Symposium, Washington, DC, December 3; Kinsman, John D., James E. Evans and Julie H. Clendenin. (1992). "Electric Utility Strategies for Controlling SO_2 under Title IV (Acid Deposition Control) of the 1990 Clean Air Act Amendments." Paper presented at the 85th Annual Meeting of the Air and Waste Management Association, Kansas City, MO, June 21–26.
19. ^ 58 *Federal Register* 3590-3766, January 11, 1993.
20. ^ Platt, J.B. (1991). "Scrub Versus Trade: Enemies or Allies?" Presented to the EPRI-EPA-DOE Sulfur Dioxide Control Symposium, Washington, DC, December 3.
21. ^ *Coal Voice*, November/December 1992, p. 18.
22. ^ *Coal Outlook*, February 1, 1993, Supp. p. 1.
23. ^ *Coal Outlook*, December 9, 1991, p. 1.
24. ^ *Coal Outlook*, January 13, 1992, p. 1.
25. ^ *Coal Outlook*, March 29, 1993, p. 4.
26. ^ U.S. EPA, Buying Allowances, http://www.epa.gov/airmarkets/trading/buying.html#1
27. ^ Acid Rain Retirement Fund, http://www.usm.maine.edu/~pos/arrf.htm
28. ^ ***a b*** Acid Rain Retirement Fund, http://www.usm.maine.edu/~pos/arrf.htm, press release, April 1, 2009.
29. ^ ***a b*** 42 U.S. Code 7651c.
30. ^ Easton TA, editor. (2006). *Taking Sides: Clashing Views on Controversial Environmental Issues* (11th edition), p. 109.
31. ^ LG Chestnut, DM Mills. (2005). A fresh look at the benefits and costs of the US acid rain program (http://www.appstate.edu/~whiteheadjc/eco3620/pdf/JEMacidrainprogram.pdf) . *Journal of Environmental Management*.
32. ^ ***a b*** 'Cap-and-trade' model eyed for cutting greenhouse gases (http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2007/12/03/MNMMTJUS1.DTL&hw=Cap+trade+Acid+Rain&sn=001&sc=1000) , San Francisco Chronicle, December 3, 2007.
33. ^ Facts On File News Services Databases (http://www.2facts.com/RecordUrl.asp?article=/icof/search/i0702840.asp)
34. ^ Comparison of the EU and US approaches towards Acification (http://ec.europa.eu/environment/archives/cafe/activities/pdf/case_study1.pdf) .
35. ^ Clearing the Air: The Facts about Capping and Trading Emissions (http://www.epa.gov/airmarkets/progsregs/arp/docs/clearingtheair.pdf.) .
36. ^ Acid Rain Program 2007 Progress Report (http://www.epa.gov/airmarkt/progress/arp07.html) , U.S. Environmental Protection Agency, January 2009.
37. ^ [1] (http://www.epa.gov/airmarkt/progress/ARP_1_graphics/SO2-Emissions-from-Acid-Rain-Program-Sources.gif)
38. ^ McAllister LK. (2009). The Overallocation Problem In Cap-And-Trade: Moving Toward Stringency (http://www.columbiaenvironmentallaw.org/assets/pdfs/34.2/7._McAllister_34.2.pdf) . *COLUMBIA JOURNAL OF ENVIRONMENTAL LAW*.

External links

- Clean Air Act timeline (http://www.environmentaldefense.org/documents/2695_cleanairact.htm)
- US EPA Acid Rain Program homepage (http://www.epa.gov/airmarkets/progsregs/arp/index.html)
- General acid rain information from the US EPA (http://www.epa.gov/acidrain/index.html)
- Title IV, 1990 Clean Air Act (http://www.epa.gov/airmarkets/arp/regs/title4.pdf)

- Relevant laws and regulations (http://www.epa.gov/airmarkets/progsregs/arp/laws.html)

Retrieved from "http://en.wikipedia.org/wiki/Acid_Rain_Program"
Categories: United States Environmental Protection Agency | Acid gas control

EXHIBIT 2

http://www.epa.gov/airmarkets/progsregs/arp/basic.html
Last updated on Tuesday, April 14, 2009

Clean Air Markets

Acid Rain Program

The information below provides a comprehensive overview of the Acid Rain Program. For more information on the causes and effects of acid rain, visit EPA's Acid Rain Topic Web site.

Phases and Reductions

Title IV of the Clean Air Act set a goal of reducing annual SO_2 emissions by 10 million tons below 1980 levels. To achieve these reductions, the law required a two-phase tightening of the restrictions placed on fossil fuel-fired power plants.

Phase I began in 1995 and affected 263 units at 110 mostly coal-burning electric utility plants located in 21 eastern and midwestern states. An additional 182 units joined Phase I of the program as substitution or compensating units, bringing the total of Phase I affected units to 445. Emissions data indicate that 1995 SO_2 emissions at these units nationwide were reduced by almost 40 percent below their required level.

Phase II, which began in the year 2000, tightened the annual emissions limits imposed on these large, higher emitting plants and also set restrictions on smaller, cleaner plants fired by coal, oil, and gas, encompassing over 2,000 units in all. The program affects existing utility units serving generators with an output capacity of greater than 25 megawatts and all new utility units.

The Act also called for a 2 million ton reduction in NO_X emissions by the year 2000. A significant portion of this reduction has been achieved by coal-fired utility boilers that will be required to install low NO_X burner technologies and to meet new emissions standards.

Detailed information about the emissions reductions achieved under the Acid Rain Program is available at Emissions Data.

Operating Principles: Feasible, Flexible, and Accountable

The Acid Rain Program is implemented through an integrated set of rules and guidance designed to accomplish three primary objectives:

- Achieve environmental benefits through reductions in S02 and NO_X emissions.
- Facilitate active trading of allowances and use of other compliance options to minimize compliance costs, maximize economic efficiency, and permit strong economic growth.
- Promote pollution prevention and energy efficient strategies and technologies.

Each individual component fulfills a vital function in the larger program:

- The allowance trading system creates low-cost rules of exchange that minimize government intrusion and make allowance trading a viable compliance strategy for reducing SO_2.
- The opt-in program allows nonaffected industrial and small utility units to participate in allowance trading.
- The NO_X emissions reduction rule sets new NO_X emissions standards for existing coal-fired utility boilers and allows emissions averaging to reduce costs.
- The permitting process affords sources maximum flexibility in selecting the most cost-effective approach to reducing emissions.
- The continuous emission monitoring (CEM) requirements provide credible accounting of emissions to ensure the integrity of the market-based allowance system and to verify the achievement of the reduction goals.
- The excess emissions provision provides incentives to ensure self-enforcement, greatly reducing the need for government intervention.
- The appeals procedures allow the regulated community to appeal decisions with which it may disagree.

Together these measures ensure the achievement of environmental benefits at the least cost to society.

Environmental Benefits

Acid rain causes acidification of lakes and streams and contributes to damage to trees and many sensitive forest soils. In addition, acid rain accelerates the decay of building materials and paints, including irreplaceable buildings, statues, and sculptures that are part of our nation's cultural heritage. Prior to falling to the earth, SO_2 and NO_X gases and their particulate matter derivatives, sulfates and nitrates, contribute to visibility degradation and impact public health.

The Acid Rain Program confers significant benefits on the nation. By reducing SO_2 and NO_X, many acidified lakes and streams will significantly improve so that they can once again support fish life. Visibility will improve, allowing for increased enjoyment of scenic vistas across our country, particularly in National Parks. Stress to our forests that populate the ridges of mountains from Maine to Georgia will be reduced. Deterioration of our historic buildings and monuments will be slowed. Most importantly, reductions in SO_2 and NO_X will reduce fine particulate matter (sulfates, nitrates) and ground level ozone (smog), leading to improvements in public health.

For more information, see EPA's Acid Rain Topic Web site.

Allowance Trading

The Acid Rain Program represents a dramatic departure from traditional command and control regulatory methods that establish specific, inflexible emissions limitations with which all affected sources must comply. Instead, the Acid Rain Program introduces an allowance trading system that harnesses the incentives of the free market to reduce pollution.

Under this system, affected utility units are allocated allowances based on their historic fuel consumption and a specific emissions rate. Each allowance permits a unit to emit 1 ton of SO_2 during or after a specified year. For each ton of SO_2 emitted in a given year, one allowance is retired, that is, it can no longer be used.

Allowances may be bought, sold, or banked. Anyone may acquire allowances and participate in the trading system. However, regardless of the number of allowances a source holds, it may not emit at levels that would violate federal or state limits set under Title I of the Clean Air Act to protect public health.

During Phase II of the program (now in effect), the Act set a permanent ceiling (or cap) of 8.95 million allowances for total annual allowance allocations to utilities. This cap firmly restricts emissions and ensures that environmental benefits will be achieved and maintained.

For more information on how allowance trading works under the Acid Rain Program, see the Acid Rain Program SO_2 Allowances Fact Sheet. For more information about allowance trading in general, visit CAMD Allowance Trading.

Annual Reconciliation

Annual reconciliation is the process by which EPA compares a regulated unit's annual emissions and the number of allowances it owns. At the end of each year, units are granted a 60-day grace period to ensure that they have sufficient allowances to match their SO_2 emissions during the previous year. If they need to, they may buy allowances during the grace period. Units may sell allowances that exceed their emissions or bank them for use in future years.

For more information on annual reconciliation works under the Acid Rain Program, see the Acid Rain Program Annual Reconciliation Fact Sheet.

Allowance Tracking System

EPA has instituted an electronic recordkeeping and notification system called the Allowance Tracking System (AMS) to track allowance transactions and the status of allowance accounts. AMS is the official tally of allowances by which EPA determines compliance with the emissions limitations. Any party interested in participating in the trading system may open an AMS account by submitting an application to EPA. Accounts contain information on unit account balances, account representatives (which must be appointed by each trading party), and serial numbers for each allowance. AMS is computerized to expedite the flow of data and to assist in the development of a viable market for allowances.

For more information, see Allowance Data Tracking.

Auctions and Direct Sale

EPA holds an allowance auction annually. The auctions help to send the market an allowance price signal, as well as furnish utilities with an additional avenue for purchasing needed allowances. The direct sale offered allowances at a fixed price of $1,500 (adjusted for inflation). Anyone could buy allowances in the direct sale, but independent power producers (IPPs) could obtain written guarantees from EPA stating that they had first priority. These guarantees, which were awarded on a first-come, first-served basis, secured the option for qualified IPPs to purchase a yearly amount of allowances over a 30 year span. This provision enabled IPPs to assure lenders that they would have access to the allowances they needed to build and operate new units. The direct sale was eliminated in 1997 because this provision proved to be unnecessary.

For more information, see Acid Rain Program Allowance Auctions.

Voluntary Entry: The Opt-in Program

The Opt-in Program expands EPA's Acid Rain Program to include additional sulfur dioxide (SO_2) emitting sources. Recognizing that there are additional emission reduction opportunities in the industrial sector, Congress established the Opt-in Program under section 410 of the Clean Air Act Amendments of 1990. The Opt-in Program allows sources not required to participate in the Acid Rain Program the opportunity to enter the program on a voluntary basis and receive their own SO_2 allowances.

The participation of these additional sources will reduce the cost of achieving the 10 million ton reduction in SO_2 emissions mandated under the Clean Air Act. As participating sources reduce their SO_2 emissions at a relatively low cost, their reductions—in the form of allowances—can be transferred to electric utilities where emission reductions are more expensive.

The Opt-in Program offers a combustion source a financial incentive to voluntarily reduce its SO_2 emissions. By reducing emissions below its allowance allocation, an opt-in source will have unused allowances, which it can sell in the SO_2 allowance market. Opting in will be profitable if the revenue from the sale of allowances exceeds the combined cost of the emissions reduction and the cost of participating in the Opt-in Program.

For more information, see the Opt-in Program Fact Sheet.

Pollution Prevention

The allowance trading system contains an inherent incentive for utilities to prevent pollution, since for each ton of SO_2 that a utility avoids emitting, one fewer allowance must be retired. Utilities that reduce emissions through energy efficiency and renewable energy are able to sell, use, or bank their surplus allowances. As also provided in the Act, EPA has set aside a reserve of 300,000 allowances to stimulate energy efficiency and renewable energy generation. Those utilities that either implement demand-side energy conservation programs to curtail emissions or install renewable energy generation facilities may be eligible to receive bonus allowances from this

reserve.

For more information, see Conservation and Renewable Energy Incentives.

Nitrogen Oxides (NO_x) Reductions

The Clean Air Act Amendments of 1990 set a goal of reducing NO_x by 2 million tons from 1980 levels. The Acid Rain program focuses on one set of sources that emit NO_x, coal-fired electric utility boilers. As with the SO_2 emission reduction requirements, the NO_x program was implemented in two phases, beginning in 1996 and 2000.

The NO_x program embodies many of the same principles of the SO_2 trading program, in that it also has a results-oriented approach, flexibility in the method to achieve emission reductions, and program integrity through measurement of the emissions. However, it does not "cap" NO_x emissions as the SO_2 program does, nor does it utilize an allowance trading system.

Emission limitations for the NO_x boilers provide flexibility for utilities by focusing on the emission rate to be achieved (expressed in pounds of NO_x per million Btu of heat input). In general, two options for compliance with the emission limitations are provided:

- Compliance with an individual emission rate for a boiler.
- Averaging of emission rates over two or more units to meet an overall emission rate limitation.

These options give utilities flexibility to meet the emission limitations in the most cost-effective way and allow for the further development of technologies to reduce the cost of compliance.

If a utility properly installs and maintains the appropriate control equipment designed to meet the emission limitation established in the regulations, but is still unable to meet the limitation, the NO_x program allows the utility to apply for an alternative emission limitation (AEL) that corresponds to the level that the utility demonstrates is achievable.

Phase I of the NO_x program began on January 1, 1996 and applied to two types of boilers (which were already targeted for Phase I SO_2 reductions): dry-bottom wall-fired boilers and tangentially fired boilers. Dry-bottom wall-fired boilers had to meet a limitation of 0.50 pounds of NO_x per mmBtu averaged over the year, and tangentially fired boilers had to achieve a limitation of 0.45 pounds of NO_x per mmBtu, again, averaged over the year. Approximately 170 boilers needed to comply with these NO_x performance standards during Phase I.

Phase II of the NO_x program began in 2000. These regulations:

- Set lower emission limits for Group 1 boilers first subject to an acid rain emissions limitation in Phase II, and
- Established initial NO_x emission limitations for Group 2 boilers, which include boilers applying cell-burner technology, cyclone boilers, wet bottom boilers, and other types of coal-fired boilers.

The final rule was promulgated on December 19, 1996.

For more information, see NO_x Reductions under the Acid Rain Program.

Emissions Monitoring and Reporting

Under the Acid Rain Program, each source must continuously measure and record its emissions of SO_2, NO_x, and CO_2, as well as heat input, volumetric flow, and opacity. In most cases, a continuous emission monitoring (CEM) system must be used. There are provisions for initial equipment certification procedures, periodic quality assurance and quality control procedures, recordkeeping and reporting, and procedures for filling in missing data periods. Sources report hourly emissions data to EPA on a quarterly basis. The emissions monitoring and reporting systems are critical to the program. They instill confidence in allowance transactions by certifying the existence and quantity of the commodity being traded and assure that NO_x averaging plans are working. Monitoring also ensures, through accurate accounting, that the SO_2 and NO_x emissions reduction goals are met.

For more information, see the Continuous Emissions Monitoring Fact Sheet.

Excess Emissions

If annual emissions exceed the number of allowances held, the owners or operators of delinquent units must pay a penalty of $2,000 (adjusted for inflation) per excess ton of SO_2 or NO_x emissions. In addition, violating utilities must offset the excess SO_2 emissions with allowances in an amount equivalent to the excess. A utility may either have allowances deducted immediately or submit an excess emissions offset plan to EPA that outlines how these cutbacks will be achieved.

Designated Representatives

Each source appoints one individual, the Designated Representative, to represent the owners and operators of the source in all matters relating to the holding and disposal of allowances for its units that are affected by the Clean Air Act. The Designated Representative is also responsible for all submissions pertaining to permits, compliance plans, emission monitoring reports, offset plans, compliance certification, and other necessary information. A source may appoint an Alternate Designated Representative to act on behalf of the Designated Representative.

Permitting

The Designated Representative for each source is required to file an acid rain permit application for the source and a compliance plan to the Title V permitting authority for each affected unit at the source. The Acid Rain permits and compliance plans are simple, allow sources to fashion a compliance strategy tailored to their individual needs, and foster trading. For example, they allow sources to make real-time allowance trading decisions through the use of automatic permit amendments.

Acid rain permits, which are also issued by the relevant Title V permitting authority, require that each unit account hold a sufficient number of allowances to cover the unit's SO_2 emissions in each year, comply with the applicable NO_x limit, and monitor and report emissions. Permits are

subject to public comment before approval.

For more information, see Acid Rain Permits and Applicability.

Compliance Options: Freedom to Choose

The Acid Rain Program allows sources to select their own compliance strategy. For example, to reduce SO_2 an affected source may repower its units, use cleaner burning fuel, or reassign some of its energy production capacity from dirtier units to cleaner ones. Sources also may decide to reduce electricity generation by adopting conservation or efficiency measures. Most options, like fuel switching, require no special prior approval, allowing the source to respond quickly to market conditions without needing government approval. For NO_x, the source may meet the performance standard on a utility-unit basis, enter into an emissions averaging plan, or apply for an alternative emissions limitation.

In either case, the program allows affected utilities to combine these and other options in ways they see fit in order to tailor their compliance plans to the unique needs of each unit or system.

A Model Program

EPA gained broad input into the development of the Acid Rain Program by consulting with representatives from various stakeholder groups, including utilities, coal and gas companies, emissions control equipment vendors, labor, academia, Public Utility Commissions, state pollution control agencies, and environmental groups.

EPA is maintaining this open door policy as it implements the program, and it continues to solicit ideas from the numerous and diverse individuals and groups interested in acid rain control. In addition, EPA is collaborating with groups who wish to evaluate the benefits and effects of the program through economic and environmental studies.

The Acid Rain Program is already being viewed around the world as a prototype for tackling emerging environmental issues. The allowance trading system capitalizes on the power of the marketplace to reduce SO_2 emissions in the most cost-effective manner possible. The permitting program allows sources the flexibility to tailor and update their compliance strategy based on their individual circumstances. The continuous emissions monitoring and reporting systems provide the accurate accounting of emissions necessary to make the program work, and the excess emissions penalties provide strong incentives for self-enforcement. Each of these separate components contributes to the effective working of an integrated program that lets market incentives do the work to achieve cost-effective emissions reductions. The General Accounting Office recently confirmed the benefits of this approach, projecting that the allowance trading system could save as much as $3 billion per year—over 50 percent—compared with a command and control approach typical of previous environmental protection programs.

EXHIBIT 3

http://www.epa.gov/airmarkets/trading/factsheet-auction.html
Last updated on Monday, January 25, 2010

Clean Air Markets

Acid Rain Program Allowance Auction Fact Sheet

Allowance Trading

- Allowance trading basics and concepts
- How to buy allowances
- Information on how EPA tracks allowances
- Allowance allocations
- Annual allowance auction

Because the availability of allowances is crucial to ensure both the economic efficiency of the emissions trading program and the addition of new electric-generating capacity, Title IV of the Clean Air Act Amendments mandates that EPA hold or sponsor yearly auctions of allowances for a small portion of the total allowances allocated each year. The auctions help ensure that new units have a public source of allowances beyond those allocated initially to existing units. Moreover, in the early stages of the regulatory program, the auctions helped provide price information to the allowance market.

Frequently Asked Questions on Allowance Auctions

Where Do Allowances Come From?

To supply the auctions with allowances, EPA set aside an Auction Allowance Reserve of approximately 2.8 percent of the total annual allowances allocated to all units. During Phase I, when the allocated allowances totaled 5.7 million allowances annually, 150,000 allowances were withheld every year for auctions. During Phase II, when allowance allocations totaled 8.95 million allowances annually, 250,000 allowances were withheld annually for auctions.

Private allowance holders (such as utilities or brokers) also may offer their allowances for sale at the EPA auctions, provided that the allowances are dated for the year in which they are offered, for any previous year, or for 7 years in the future. Authorized account representatives must notify the administrator of the EPA auctions of their intent to sell at least 15 business days prior to the auctions.

The account representatives must specify the number of allowances they are offering and their minimum price requirements.

Table: Allowances Offered at Auctions

Year of Auction	Spot Auction	Advance Auction*
1998	150,000	125,000
1999	150,000	125,000
2000 and after	125,000	125,000

* Not useable until 7 years after purchase.

Who Administers the EPA Auctions?

For the first 13 years, the auctions were conducted for EPA by the Chicago Board of Trade (CBOT). CBOT was not compensated by EPA for its services nor allowed to charge fees. Beginning with the fourteenth annual auction in March 2006, CBOT chose to stop administering the auctions for EPA. This means EPA now handles all aspects of the auctions.

How Are the Auctions Conducted?

The auctions began in 1993 and are held annually, usually on the last Monday of March. Auctions are divided into two segments: (1) a spot allowance auction, in which allowances are sold that can be used in that same year for compliance purposes, and (2) an advance auction for the sale of allowances that will become usable for compliance 7 years after the transaction date, although they can be traded earlier. Bidders must submit bids electronically using EPA's CAMD Business System containing information on the number and type (spot or advance) of allowances desired and the purchase price to EPA, no later than 3 business days prior to the auctions. Each bid must also include a wire transfer, certified check, or letter of credit for the total bid cost.

The auctions sell allowances on the basis of bid price, starting with the highest priced bid and continuing until all allowances have been sold or the number of bids is exhausted. EPA may not set a minimum price for allowances from the Auction Reserve.

Allowances are sold from the Auction Reserve before allowances offered by private holders are sold. Offered allowances are sold in ascending order, starting with the allowances for which private holders have set the lowest minimum price requirements. Offered allowances are sold until the allowance supply is depleted, bids are used up, or the minimum price for the next set of offered allowances exceeds the purchase price of the next bid.

EPA returns proceeds and unsold allowances from the auctioning of reserve allowances on a pro rata basis to those units from which EPA originally withheld allowances to create the Auction Reserve. Proceeds from the sale of offered allowances are returned to private allowance holders that contributed the allowances to the auctions. EPA likewise returns payment from unsuccessful bids and allowances from unsuccessful offers.

May I Use a Wire Transfer of Funds to Cover my Bids?

Yes, you may use a wire transfer of funds to cover the amount of your bids instead of using a cashier's check or an EPA Letter of Credit Form. If you are submitting more than one bid form, you may use one wire transfer to cover the total amount of all the bids. The funds must be wired to EPA Account: TREAS NYC/(68011233) EPA, ABA #021030004 Type 10 no later than 4:00 p.m. Eastern Daylight Time on the date the auction bids are due. Funds wired for bids that were not successful will be returned within approximately two weeks after the date on which all payments are due.

EXHIBIT 4

http://www.epa.gov/airmarkets/progsregs/arp/reconciliation-factsheet.html
Last updated on Wednesday, May 20, 2009

Clean Air Markets

Acid Rain Program Annual Reconciliation Fact Sheet

At the end of the year, utilities are granted a 60-day grace period, during which additional SO_2 allowances may be purchased, if necessary, to cover each facility's emissions for the year. At the end of the grace period (the Allowance Transfer Deadline), the allowances a facility holds in its Allowance Monitoring System (AMS) account must equal or exceed the facility's annual SO_2 emissions. Any remaining allowances may be sold or banked for use in future years. This fact sheet covers annual reconciliation for Phase II of the Acid Rain Program, which began in 2000.

Note also that annual reconciliation results are available in our Compliance/Progress Reports.

Frequently Asked Questions

Who must comply with the Acid Rain Program?

In general, electric utility units at power plants that burn fossil fuel and both produce and sell electricity are subject to the Acid Rain Program requirements. For more information on whether your unit is covered, please contact Robert Miller at 202-343-9077 or miller.robertl@epa.gov.

As a Designated Representative, what must I do for the annual reconciliation?

The Designated Representative (DR) is responsible for ensuring that the facility holds enough allowances in its account to cover its emissions, that the monitoring equipment has been kept in proper working condition and the monitoring plan maintained, and that all emissions were either monitored or accounted for through missing data procedures. If the facility does not have enough allowances to cover its emissions, the DR must pay an excess emissions penalty and surrender allowances first usable in the next compliance year. In addition, if a unit is subject to the Acid Rain Program NO_x regulations, then the DR must ensure that the unit meets its NO_x emissions limit for the year.

The other ***optional*** forms are the Common Stack Allowance Deduction Form (described in a later section below) and the Allowance Deduction Form. DRs may choose to use the optional Allowance Deduction Form to identify specific serial numbered allowances for deduction. Otherwise, EPA will use the default method of first-in, first-out (FIFO) when deducting allowances.

Are there restrictions on allowance transfers after the allowance transfer deadline?

Yes. EPA will return or hold any Allowance Transfer Form postmarked after March 1 to move allowances that are available for compliance into or out of facility accounts. Such transfer requests will be processed after the annual reconciliation process is complete. Of course, allowance trading can continue, only the recordation of trades involving allowances useable for compliance in the Allowance Management System (AMS) must wait.

Allowance transfers among general accounts are not affected by this restriction. The authorized account representatives for these accounts may transfer any allowances contained within general accounts at any time.

How does EPA deduct allowances?

Each affected unit measures its SO_2 emissions using, for the most part, continuous emissions monitors, as specified in 40 CFR part 75. Affected units submit their emissions data quarterly to the EPA. EPA then verifies the quality, completeness, and consistency of the data reported, the adherence to the Electronic Data Report (EDR) format, and the appropriate usage of missing data procedures.

Once all the emissions data are checked and all the optional information from the Allowance Deduction Forms are entered into the Allowance Monitoring System (AMS), allowances will be transferred into a permanent EPA retirement account. Any remaining allowances of the current compliance year vintage will be valid for compliance deductions in any future year. After reconciliation is complete, EPA sends each DR a report entitled: "Allowance Deductions for Compliance Year 20XX" detailing the facility's allowance deductions.

What if a facility is out of compliance?

If the number of tons of emissions exceeds the number of allowances held in the facility's account, the facility is out of compliance and the owners or operators must pay a penalty (The 1990 penalty of $2000 per ton is adjusted each year for inflation). In addition, violating utilities must offset the excess SO_2 emissions with allowances in an amount equivalent to the excess. A utility may either have allowances deducted immediately or at a later date. If the facility plans to have allowances deducted at a later date, the DR must submit to EPA an Excess Emissions Offset Plan, which must undergo public review and comment before approval. This offset plan outlines how and when the unit will provide the necessary allowances for compliance.

Important dates for annual reconciliation

*Dates are subject to change if they fall on a non-business day.

October 30
Deadline to submit 3rd quarter emissions reports.

December 31
Compliance year ends.

January 30
Deadline to submit 4th quarter emissions reports.

March 1 (Feb. 29 in a leap year)
Allowance transfer deadline.
Deadline to submit optional Allowance Deduction form

EXHIBIT 5

http://www.epa.gov/airmarket/trading/factsheet.html#whatis
Last updated on Tuesday, April 14, 2009

Clean Air Markets

Acid Rain Program SO_2 Allowances Fact Sheet

The innovative, market-based sulfur dioxide (SO_2) allowance trading component of the Acid Rain Program allows utilities to adopt the most cost-effective strategy to reduce SO_2 emissions at units in their systems. Affected utilities are required to install systems that continuously monitor emissions of SO_2, nitrogen oxides (NO_x), and other related pollutants in order to track progress, ensure compliance, and provide credibility to the trading component of the program. In any year that compliance is not achieved, excess emissions penalties will apply, and sources either will have allowances deducted immediately from their accounts or may submit a plan to EPA that specifies how the excess SO_2 emissions will be offset.

Introduction

Allowance trading is the centerpiece of EPA's Acid Rain Program, and allowances are the currency with which compliance with the SO_2 emissions requirements is achieved. Through the market-based allowance trading system, utilities regulated under the program, rather than a governing agency, decide the most cost-effective way to use available resources to comply with the acid rain requirements of the Clean Air Act. Utilities can reduce emissions by employing energy conservation measures, increasing reliance on renewable energy, reducing usage, employing pollution control technologies, switching to lower sulfur fuel, or developing other alternate strategies. Units that reduce their emissions below the number of allowances they hold may trade allowances with other units in their system, sell them to other utilities on the open market or through EPA auctions, or bank them to cover emissions in future years. Allowance trading provides incentives for energy conservation and technology innovation that can both lower the cost of compliance and yield pollution prevention benefits.

The Acid Rain Program established a precedent for solving other environmental problems in a way that minimizes the costs to society and promotes new technologies.

Frequently Asked Questions About the Allowance System

What Are Allowances?

An allowance authorizes a utility or industrial source to emit one ton of SO_2 during a given year or any year thereafter. At the end of each year, the source must hold an amount of allowances at least equal to its annual emissions, i.e., a source that emits 5,000 tons of SO_2 must hold at least 5,000 allowances that are usable in that year. However, regardless of how many allowances a source holds, it is never entitled to exceed the limits set under Title I of the Act to protect public health.

Allowances are fully marketable commodities. Once allocated, allowances may be bought, sold, traded, or banked for use in future years. Allowances may not be used for compliance prior to the calendar year for which they are allocated.

How Are Allowances Allocated?

Allowances were allocated for each year beginning in 1995. Phase I included certain electricity generating units. EPA allocated allowances at an emission rate of 2.5 pounds of SO_2/mmBtu (million British thermal units) of heat input, multiplied by the unit's baseline mmBtu (the average fossil fuel consumed from 1985 through 1987). These allowance allocations are listed in Table A of the Clean Air Act and codified in the Allowance System Regulations (Part 73, Table 1). Alternative or additional allowance allocations were made for various units, including affected units in Illinois, Indiana, and Ohio, which were allocated a pro rata share of 200,000 additional allowances each year from 1995 to 1999.

In Phase II, which began in the year 2000, EPA expanded the group of affected sources to include virtually all units over 25 MW in generating capacity, and tightened the allowance allocation. Allowance allocation calculations were made for various types of units, such as coal- and gas-fired units with low and high emissions rates or low fuel consumption. EPA allocated allowances to each unit at an emission rate of 1.2 pounds of SO_2/mmBtu of heat input, multiplied by the unit's baseline. Beginning in 2010, the Act places a cap at 8.95 million on the number of allowances issued to units each year. This effectively caps emissions at 8.95 million tons annually and ensures that the mandated emissions reductions are maintained over time.

- Additional information on allowance allocations

How Else Can Allowances Be Obtained?

In addition to annual allocations, allowances are also available upon application to three EPA reserves. In Phase I, units could apply for and receive additional allowances by installing qualifying Phase I technology (a technology that can be demonstrated to remove at least 90 percent of the unit's SO_2 emissions) or by reassigning their reduction requirements among other units employing such technology. A second reserve provides allowances as incentives for units achieving SO_2 emissions reductions through customer-oriented conservation measures or renewable energy generation. The third reserve contains allowances set aside for auction, which are sponsored yearly by EPA. Anyone can participate in the annual allowance auction which is held at the end of March every year.

Units that began operating in 1996 or later are not allocated allowances. Instead, they have to purchase allowances from the market or from the EPA auction to cover their SO_2 emissions.

Who May Participate in Allowance Trading?

Allowances may be bought, sold, and traded by any individual, corporation, or governing body,

including brokers, municipalities, environmental groups, and private citizens. The primary participants in allowance trading are officials designated and authorized to represent the owners and operators of electric utility plants that emit SO_2.

Any person or group, including brokers and investors, wishing to purchase allowances may open a general AMS account.

What Is the System for Keeping Track of Allowances?

EPA's role in allowance trading is to record allowance transfers that are used for compliance and to ensure at the end of the year that a source's emissions do not exceed the number of allowances it holds. To accomplish this, EPA maintains an Allowance Management System (AMS). Each affected utility source, corporation, group, or individual holding allowances has an account in the AMS. Parties must notify EPA to have transfers recorded in their AMS account, but it is not necessary to record all transfers with EPA until such time that the allowances are to be used to meet a source's SO_2 emissions limitation requirement. AMS accounts are, however, the official records for allowance holdings and transfers used for compliance purposes. To facilitate tracking and recording, EPA assigns every account an identification number and every allowance a serial number.

Any person or group, including brokers and investors, wishing to purchase allowances may open a general AMS account.

What Information is Contained in AMS Accounts?

AMS accounts track:

- Issuance of all allowances.
- How many allowances an account holds.
- How many allowances are held in various allowance reserves, such as the EPA Auction Reserve and the Conservation and Renewable Energy Reserve.
- Deduction of allowances for compliance purposes.
- Transfer of allowances between accounts.

Information on emissions allowances and transactions is available to the public.

How Are Allowance Transfers Submitted?

Allowance transfer requests and all correspondence with EPA concerning compliance with the Acid Rain Program must be performed by authorized account representatives. For a source account, the Designated Representative, who represents the owners and operators of that unit, performs this function. For a general account, the Authorized Account Representative is the person who represents the parties with an ownership interest in the allowances, and who signs the Account Information Form to open the account.

Forms and more information are available on the Allowance Transfer page.

How Is Compliance Determined?

At the end of the year, sources must hold in their compliance accounts a quantity of allowances equal to or greater than the amount of SO_2 emitted during that year. To cover their emissions for the previous year, sources must finalize allowance transactions and submit them to EPA by March 1 (February 29 - leap year) to be recorded in their compliance accounts. The amount of emissions

is determined in accordance with the monitoring and reporting requirements described in the Continuous Emission Monitoring Rule.

After the March 1 deadline and the final submitted transfers are recorded, EPA deducts allowances from each sources compliance account in an amount equal to its SO_2 emissions for that year. If the sources's emissions do not exceed its allowances, the remaining allowances are carried forward, or banked for future use. If a source's emissions exceed its allowances, the source must pay a penalty and surrender allowances for the following year to EPA as excess emission offsets.

EXHIBIT 6

USPTO Patent Full-Text and Image Database

Searching US Patent Collection...

Results of Search in US Patent Collection db for:
(CCL/705/$ AND "acid rain"): 13 patents.
*Hits **1** through **13** out of **13***

Jump To

Refine Search ccl/705/$ and "acid rain"

	PAT. NO.	Title
1	7,734,531	Method for promoting sulfur dioxide futures trading
2	7,702,540	Computer-implement method and system for conducting auctions on the internet
3	7,689,511	Method for providing measured values for end customers
4	7,647,243	Electronic marketplace system and method for creation of a two-tiered pricing scheme
5	7,613,633	Method for facilitating commerce at an internet-based auction
6	7,512,560	American depositary receipts crossbook
7	7,512,540	Automated new energy technology consulting and demand aggregation system and method
8	7,343,341	Systems and methods for trading emission reductions
9	7,141,321	System and method for enabling the real time buying and selling of electricity generated by fuel cell powered vehicles
10	7,133,750	System and method for residential emissions trading
11	6,904,336	System and method for residential emissions trading
12	6,673,479	System and method for enabling the real time buying and selling of electricity generated by fuel cell powered vehicles
13	6,601,033	Pollution credit method using electronic networks

US PATENT & TRADEMARK OFFICE

PATENT APPLICATION FULL TEXT AND IMAGE DATABASE

Searching AppFT Database...

Results of Search in AppFT Database for:
ccl/705/$ and "acid rain": 54 applications.
*Hits **1** through **50** out of **54***

Final 4 Hits

Jump To

Refine Search ccl/705/$ and "acid rain"

	PUB. APP. NO.	Title
1	20100217651	System and method for managing energy resources based on a scoring system
2	20100217642	System and method for single-action energy resource scheduling and participation in energy-related securities
3	20100070358	REC CREDIT DISTRIBUTION SYSTEM AND METHOD
4	20090319315	COMMUNITY TO ADDRESS CARBON OFFSETS
5	20090227161	Biophysical Geoengineering Compositions and Methods
6	20090157534	ENVIRONMENTAL OFFSET TRADING PLATFORM AND METHOD
7	20090043653	INTEGRATION OF ENVIRONMENTAL CREDIT MECHANISMS INTO MUNICIPAL DEBT
8	20090018859	Method for vehicle repair estimate and scheduling
9	20080306860	ALLOCATION ENGINE FOR ENVIRONMENTALLY RELEVANT ITEMS
10	20080306859	STANDING ORDERS AND SALES FOR ENVIRONMENTALLY RELEVANT ITEMS
11	20080306801	DASHBOARD FOR ENVIRONMENTALLY RELEVANT ITEMS
12	20080301032	DERIVATIVES OF ENVIRONMENTALLY RELEVANT ITEMS
13	20080300936	MARKET OVERSIGHT FACILITY FOR ENVIRONMENTALLY RELEVANT ITEMS
14	20080300935	EXCHANGE RATES FOR ENVIRONMENTALLY RELEVANT ITEMS
15	20080300907	IMPORT AND EXPORT MANAGER FOR ENVIRONMENTALLY RELEVANT ITEM
16	20080281747	RATING ENGINE FOR ENVIRONMENTALLY RELEVANT ITEMS
17	20080281615	JURISDICTIONAL COMPLEXITY MANAGER FOR ENVIRONMENTALLY RELEVANT ITEMS

18	20080275815	CROSS-ENVIRONMENTALLY RELEVANT ITEM COMPLEXITY MANAGER FOR CARBON REDUCTION, RENEWABLE ENERGY, ENERGY EFFICIENCY AND POLLUTION REDUCTION
19	20080275810	MARKET DEPOSITORY FOR ENVIRONMENTALLY RELEVANT ITEMS
20	20080275746	CROSS-ENVIRONMENTALLY RELEVANT ITEM COMPLEXITY MANAGER
21	20080270272	SYSTEM AND METHOD FOR BANKING DOWNSTREAM RESOURCE COSTS
22	20080228665	BUNDLING METHOD AND SYSTEM FOR CREDITS OF AN ENVIRONMENTAL COMMODITIES EXCHANGE
23	20080228664	BUNDLING METHOD AND SYSTEM FOR CREDITS OF AN ENVIRONMENTAL COMMODITIES EXCHANGE
24	20080228632	TRADING METHOD AND SYSTEM FOR AN ENVIRONMENTAL COMMODITIES EXCHANGE
25	20080228631	BUNDLING METHOD AND SYSTEM FOR CREDITS OF AN ENVIRONMENTAL COMMODITIES EXCHANGE
26	20080228630	SYSTEM AND METHOD FOR VALUATING ITEMS AS TRADABLE ENVIRONMENTAL COMMODITIES
27	20080228629	SYSTEM AND METHOD FOR VALUATING ITEMS AS TRADABLE ENVIRONMENTAL COMMODITIES
28	20080228628	REGISTRATION METHOD AND SYSTEM FOR AN ENVIRONMENTAL COMMODITIES EXCHANGE
29	20080228558	SYSTEM AND METHOD FOR VALUATING ITEMS AS TRADABLE ENVIRONMENTAL COMMODITIES
30	20080228516	BUNDLING METHOD AND SYSTEM FOR CREDITS OF AN ENVIRONMENTAL COMMODITIES EXCHANGE
31	20080154801	System and Method for Creating a Geothermal Roadway Utility with Alternative Energy Pumping Billing System
32	20080147465	Measurement and verification protocol for tradable residential emissions reductions
33	20080086411	REC credit distribution system and method
34	20080015976	SYSTEMS AND METHODS FOR TRADING EMISSION REDUCTIONS
35	20080015975	Method and system for determining mobile emissions reduction credits
36	20070192221	PRESENT VALUATION OF EMISSION CREDIT AND ALLOWANCE FUTURES
37	20070168213	Methods of operating a coal burning facility
38	20070016511	Method for facilitating the sale of a commodity
39	20060184445	Systems and methods for trading emission reductions
40	20050246190	Systems and methods for trading emission reductions
41	20050209905	Environmental Performance Assessment
42	20050125248	Method for deploying vehicle transport covers
43	20050027592	Powered platform fuel consumption economy credits method
44	20040210478	Emissions credit method
45	20040143467	Method and system for optimization of environmental compliance
46	20040039684	Emission reduction trading system and method
47	20040015454	System and method for residential emissions trading
48	20030229572	Measurement and verification protocol for tradable residential emissions reductions

49	20030135427	Vehicle sales method, server device, and area information displaying and charging system for a car
50	20030085179	Methods and systems for reducing waste and emissions from industrial processes

Next List Top View Shopping Cart
Help Home Boolean Manual Number PTDLs

EXHIBIT 7

Negative option billing

From Wikipedia, the free encyclopedia

Negative option billing is a business practice in which goods or services are provided automatically, and the customer must either pay for the service or specifically decline it in advance of billing.[1]

This is, for example, the model on which mail order services, such as Columbia House or book clubs, are structured.

Negative option billing is not inherently unethical, but it can lead to problems if buyers do not fully understand the terms, or sellers do not accept a consumer's decision to decline a product. There is a class-action lawsuit against Scholastic Corporation by consumers who felt "harassed, deceived, intimidated, and threatened" when they tried to cancel membership.[2]

Canadian law

In Canada, Parliament attempted to outlaw the practice in 1996 after a public outcry the previous year when most cable television companies added a package of new specialty services to their lineups in this manner. This had previously been the standard manner of adding new channels to cable television service, but had not previously attracted the type of controversy that was raised by the 1995 channel launch, in part because the 1995 launch entailed a large number of channels which launched concurrently, whereas previous additions had only involved one or two channels at a time.

MP Roger Gallaway introduced a private-member's bill in 1996 to ban the practice which passed first reading, but died on the order paper when the House was dissolved for the 1997 elections. It was raised again in 1999, and was passed.

> The concern associated with the practice of negative option billing has its origins in the nature of a contract of purchase and sale, as recognized in common law. As every first year law student learns, such a contract consists of an offer and an acceptance. The history of consumer protection statutes is a chronicle of legislators attempting to ensure that the offer is conveyed without misrepresentation by the vendor to a purchaser who has an opportunity to make an informed choice to accept or refuse the offer. This is because a contract that is made with a consumer who is unaware of key elements of the contract such as price, quantity and quality of the goods to be delivered is subversive of the efficiency of the market as a whole.[3]

The Ontario government also outlawed the practice in July 2005.[4] Ontario's regulations prohibiting negative option billing do not protect consumers from owing for goods or services that they have agreed to receive.[5]

References

1. ^ FCC Memorandum opinion and order, 1996 "Negative option billing is the practice of giving customers a service that was not previously provided and then charging them for the service unless they specifically decline it."
2. ^ "Parents Sue Educational Publisher Scholastic Alleging Misleading Billing, Marketing Scheme", PW

Newswire, 2006-01-30.
3. ^ Public Interest Advocacy Centre (PAIC) notes on Bill C-276
4. ^ http://www.search.e-laws.gov.on.ca/en/isysquery/70e6a6e7-f3c5-4d45-8af7-09f373203186/1/frame/?search=browseStatutes&context= Ontario Consumer Protection Act, 2002
5. ^ Ontario Ministry of Government and Consumer Services

- "States Act On Cable Rate Rises" *New York Times* (1993)
- FTC Collection of public commentary on Negative option billing

Categories: Business law | Canadian media regulation | Marketing | Cable television in Canada